KARL MARX'S CAPITAL

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CAPITAL

An Introductory Essay

By

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PREFACE

I owe much in the preparation of this book to Mr. Beer's *Karl Marx, Sein Leben und Seine Lehre*, and to Mr. G. W. Portus's *Marx and Modern Thought*, published for the Workers' Educational Association in Australia. How much I have been helped in Chapters III and IV by M. Elie Halévy's *La Formation du Radicalisme Philosophique* will be evident to all who know that great work. Though I differ widely from Mr. H. W. B. Joseph, I have been greatly helped by his demonstration in *Karl Marx's Theory of Value* of the indefensibility of doctrines often ascribed to Marx.

But above all I wish to acknowledge my debt, for their discussion and criticism, to those to whom the lectures from which this book has been made were first delivered—the Glasgow audiences meeting under the auspices of the Independent Labour Party and the Workers' Educational Association—and in particular to Mr. John McLure and to Mr. D. Kennedy of the Glasgow Independent Labour Party.

My references throughout are to the English translation of Marx's *Capital*, but in the quotations from Marx I have in many passages made my own corrections in that translation.

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INTRODUCTION

THIS small book is intended, as were the lectures in which it first took form, to be an introduction to the study of Marx's *Capital*. It is not meant to be a substitute for such study. It is the fate of all great books to get boiled down and served up cold in text-books, which purport to tell exactly what the great book comes to, as though a man's conclusions were worth very much apart from the way in which he arrived at them. We must all have had the experience, after reading even appreciative books about great authors, of going back to the authors themselves and finding how much more there is in them than their commentators lead us to expect. Marx's *Capital* is obviously a book of historical importance, and any one who reads it impartially will find it greater and far more illuminating than most critics of Marx would like us, or most Marxian writers allow us to believe.

There are two ways in which it is indefensible to treat a great book, ways which seem nevertheless to characterize much of what is said of Marx in this country; the way of uncritical condemnation and the way of uncritical praise. There are some books on Marx in which are collected all his inconsistencies and nothing else, as though there was nothing in Marx but inconsistencies. Such books give the impression that Marx was one of the most muddle-headed idiots that ever lived. On the other hand, some of his interpreters seem to have given up the belief in the verbal inspiration of scripture for the belief in the verbal inspiration of *Capital*, and try to maintain that there are no inconsistencies in Marx at all.

We might surely be prepared, without having read a word of Marx, to reject both these extreme views. Mere inconsistent thinking has never made history as *Capital* has made it. But no man who has brought about a great revolution in thought has ever been without inconsistencies. The original thinker is too much occupied in trying to express the creative thought which is welling up in him to trouble himself about getting it all straightened out. There are always parts of his work which he has taken over as they stood from other people. There are always bits of dead wood in a great man's work. The really tidy and consistent thinkers are the average-minded disciples who make a neat and orderly system out of their master's work, in which the inconsistencies are explained away, and much of what makes the man worth reading explained away along with them. For, unfortunately, it is much easier to make a tidy pattern out of dead wood than out of growing shoots.

There is, moreover, a special reason to expect and to discount inconsistencies in Marx. He was not only a revolutionary in thought; he was also a revolutionary in action, which is a very different thing. He was not only a scholar; he was also a prophet. He was not only the author of weighty and solid systematic work; he was also an extremely effective pamphleteer. Marx the laborious student, who read in the British Museum for all the hours it was open, day after day, and year after year, and Marx the passionate agitator and fighter, supplement, but they also sometimes contradict one another. Marx's scientific method was, as he himself maintained, an abstract method; his political agitation was nothing if not concrete and personal. He is always insisting in his scientific work that he is concerned only to understand social development, to trace its inevitable tendencies, not to pass

moral judgements. Yet much of *Capital* is written at a white heat and is full of moral indignation. Marx would not have had the historical importance he has had if he had not combined in himself these two usually opposed characteristics. His passionate sympathy with the victims of the industrial revolution made him see the importance and significance of facts which were hidden from the academically minded economist. The wealth of his learning and his wide historical vision gave his revolutionary activities a far greater weight than they would otherwise have had. But the two characteristics did not always combine, and ever since his death his professed followers have been disputing which is the true Marx, Marx the communist or Marx the evolutionary socialist; and whether the Communist Manifesto should be interpreted in the light of *Capital* or *Capital* in the light of the Communist Manifesto.

Books about great books, although they should not attempt to be and never can be a substitute for the books themselves, can sometimes be of use, and that in two ways. Every author, as Marx himself would have been the first to insist, is the child of his time; he looks at the world in a certain way, he takes certain things for granted and finds problems in others, all for reasons suggested by the special circumstances of the time and society in which he lived. If we who read him afterwards do not know these circumstances, we may from our misunderstanding of what is particular in his work miss the general truths he was reaching after. All words have to be understood in their context, and a dead author's context has to be recovered historically. Further, it is paradoxical but true that the more original an author is, the more enlightenment there is to be got from studying the sources of his thought. It is characteristic of all men who

have made revolutions in men's ways of thinking, that they have united tendencies of thought which before them were regarded as separate and distinct. That indeed is what living thought is; the putting two and two together, and getting out of the combination something quite new. So the conclusion of a syllogism is derived from the premisses and yet is new because it is the premisses taken together. And the revolutionary thinker is he who puts together, not, as ordinary people do, one or two propositions, but whole systems of thought, in such a way that something emerges which is completely new, though it is born of what is old.

Marx, certainly, was an original thinker of this kind. He was a man of great learning with a mastery of the thought of his time, much of which is remote from us now. It was his achievement to bring together two schools of thought whose ways of regarding society were very different. The Hegelians were collectivists and their method was historical: the Utilitarians, whose doctrines inspired the Classical English Economists, Ricardo in particular, were individualists, and their method was analytical. The first laid the basis of modern political theory, the second the basis of modern economics. To contemporaries these two ways of thinking about society, the Hegelian on the one hand and the Utilitarian on the other, seemed to be diametrically opposed, and yet Marx was a follower of both Hegel and Ricardo. Or rather, just because he was in a sense a follower of both, he was more than a follower of either. He was an original thinker, whose originality and whose defects we can better understand when we see what he derived from each of these two schools. On the whole those passages in Marx which are most subject to criticism are those which are taken from one or other of his sources without having been made an integral part of his own

system. It is therefore worth while to try to suggest the relation in which Marx stood to the thought and tendencies of his time.

Again, one reader can help others to understand a great book by recounting what he himself has found illuminating in it. Men come to great books with different prepossessions. For one man some things in a book will be stimulating and helpful, for another others, and it is the accumulation of these discovered significances that illuminate a great work.

There are some wise words of Bosanquet's on Rousseau which might be applied with very little alteration to Marx:

'The popular rendering of a great man's views is singularly liable to run straight into the pitfalls against which he more particularly warned the world. The reason is obvious. A great man works with the ideas of his age, and regenerates them. But in so far as he regenerates them he gets beyond the ordinary mind; while so far as he operates with them, he remains accessible to it. And his own mind has its ordinary side; the regeneration of ideas which he is able to effect is not complete, and the notions of the day not only limit the entire range of his achievement but float about unassimilated within his living stream of thought. Now all this ordinary side of his mind will partake of the strength and splendour of his whole nature. And thus he will seem to have preached the very superstitions which he combated. For in part he has done so, being himself infected; in part the whole bias of his interpreters has reversed the meaning of his very warnings, by transferring the importance, due to his central thought, to some detail or metaphor which belongs to the lower level of his mind. . . . But there is something more to be said of cases, like that under discussion, where a great man's ideas touch the practical world. If the complete and positive idea becomes narrow and negative as it impinges upon everyday life, that may be not only a consequence of its transmission through everyday minds, but a qualification for the work it has to do. The narrower truth

may be, so to speak, the cutting edge of the more complete. . . . If, as we said above, the great man is always misunderstood, it seems to follow that when his germinal ideas have been sown, they must first assert themselves in lower phases if they are ever to bear fruit at all.' [1]

[1] Bosanquet, *Philosophical Theory of the State*, pp. 13–15.

I

Marx and Hegel

THE first great influence on Marx's thought was that of Hegel. His letters, written while he was still at the University, testify to the profound impression which this philosopher made upon him. He was one of a number of young German thinkers who professed themselves followers of Hegel, but who protested against the conservative and reactionary character of Hegel's attitude to the politics of his time. They maintained, and with some justice, that the essence of Hegel's thought was revolutionary, that it looked on society as essentially changing and developing. That for them meant not only that they could look back upon the past as Hegel had done and see how the present had evolved through its struggles and conflicts, but that they could see how the struggles of the present were preparing for the development of the future. Hegel sometimes wrote as though while all truth is historical, history conveniently stopped when he began to write, and when the young Hegelians, as they were called, protested against this tendency in Hegel, their protest was in the spirit of their master's philosophy.

Marx in later years continued to acknowledge his debt to Hegel. He insisted that Hegel had mistaken or rather perverted the real meaning of his own philosophy, and that he, Marx, had put it right. That Hegel's philosophy was capable of correction at his hands was for him a confirmation of its essential soundness, and so in the preface to the second edition of *Capital* he both says that his dialectic is opposed to Hegel's,

and yet insists on his debt to him. 'I openly avowed myself', he says, 'the pupil of that mighty thinker and even here and there, in the chapter on the theory of value, coquetted with the modes of expression peculiar to him. The mystification which dialectic suffers at Hegel's hands by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again if you would discover the rational kernel within the mystical shell. In its mystified form dialectic became the fashion in Germany, because it seemed to transfigure and to glorify the existing state of things. In its rational form it is a scandal and abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehensive and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary.' [1]

This passage, written in characteristically Hegelian language, makes it clear that what Marx thought he had got from Hegel was what he calls dialectic, but that he thought that Hegel had left it wrong side up, and that he, Marx, had put it right side up. If we want, therefore, to understand one side of Marx's thought, we must ask what he and Hegel meant by dialectic, and what Marx meant when he said that he had turned it right side up.

Our word dialectic comes from the Greek word which means the art of conversation or of arguing and which had in Greek

[1] Marx, *Capital*, p. xxx.

as it has in modern use a bad and a good meaning. When we speak of a man's power of dialectic or dialectical argument, there is usually the implication in our minds that it is something which enables him to confute us, although we are in the right and he is in the wrong, that the man's dialectical skill gives a false appearance of truth to his false conclusions, that he is able, as the Greeks said, to make the worse appear the better cause. That was the bad meaning, unfair argumentation. But it had also a good meaning for the Greeks; because they believed that the open conflict of opposing views was far the best way of discovering the truth, if only the contending parties desired to discover it and not merely to score off one another. The notion at the back of this use of the word is that one-sided tendencies correct one another, that you get truth from their conflict, for from their conflict you may get a further result which does justice to both.

For Hegel and Marx the central idea in dialectic is that truth and progress are realized through conflict of opposing elements or tendencies. What was distinctive in their use of the word was that they applied it not only to the movement of thought in the discovery of truth, but to the movement of reality or history in making progress. Dialectic is therefore both a method of discovering truth about things and a description of the way in which things themselves come into being and develop. The word was applied first to methods of reasoning and then to the historical processes which the reasoning was trying to understand. Marx got from Hegel both a certain logical method and also a certain way of regarding history. It does not matter whether you think, as many people suppose Hegel to have thought, that the reasoning process in the mind is the primary reality and the historical process its reflection, or

hold, as Marx certainly held, that the movement in thought is only the reflection of the movement in things. In either case the conception of dialectic is that it is a law of progress through conflict which applies both to thought and to events. Hegel taught that the history of thought exhibits an apparently up and down movement. One tendency prevails at one moment, but just when it seems entirely triumphant the opposite tendency begins to gain ground. Thinking is always one-sided and abstract, but if only it is thorough enough the one-sidedness corrects itself, because it becomes so very apparent that it calls forth the opposite tendency. There can be no better example of the truth Hegel was expounding than the history of thought about society in the nineteenth century. In the beginning of the century individualism was in the ascendant, and as it got more and more dominant, it grew more and more one-sided, until it became so obviously incompetent to meet the facts that people began to go over to the other side, and collectivism grew to be the fashion. Hegel maintains, and the history of nineteenth-century thought bears him out, that this process of one-sidedness that comes to a head and is corrected by other sidedness is not just a process of see-saw. The collectivism of the nineteenth century was better and truer to the facts because of the individualism which had gone before, because it had to take into account the partial truth for which individualism stood. The new tendency is always partly inclusive of, though it is also opposed to, the old. That then is true of tendencies of thought which is true of individual thinking. Fruitful results come in each case from the meeting together of opposing tendencies.

In this view of the dialectical nature of thought it is important to notice not only that the one-sidedness of thought which cannot altogether be avoided is cured by the conflict

of opposite one-sidedness, but, and this is even more significant, that the truth is only got in the entire process. Truth is not something static and fixed, so that at any time we can say that now we have got all the truth there is to be got and need bother to think no more. Where conflict and struggle stop, there life and truth stop too. The stage reached at any moment can never be a final one. As Marx says of 'rational', that is of his dialectic, in the passage I have quoted, 'it lets nothing impose upon it and is in its essence critical and revolutionary'. Marx complained, and with some justice, that Hegel was untrue to the spirit of his dialectic when he seemed to claim finality for some of his doctrines; a complaint, it may be noted in passing, that must be admitted to hold equally good in regard to any appearance of or claim to finality in Marx's own works.

Hegel applied the same conception to history as to thought. The history of mankind, for him, exhibits a dialectical movement like the movement of thought; and progress, like truth, comes about through conflict: as one tendency works itself out in human history it prepares the way for the coming of the opposing tendency to correct and supplement it. It follows, therefore, that the laws governing society can only be understood through insight into historical processes. Hegel was the founder of the great historical method of the nineteenth century, to which all the sociological studies are now committed. It was due to Hegel that a marked characteristic of all such inquiries came to be a constant endeavour to see institutions in the light of their history, a belief in evolution. That conception has been applied to one department of human study after another, and has dominated the century.

This notion of historical progress through conflict is common to Hegel and to Marx, and yet Marx quarrels with Hegel's

conception of it. He calls it a mystification of reality. What does he mean by that? His meaning is something like this: if you take the Hegelian account of historical development and ask how development actually came about, you do not get any very clear answer. Hegel is describing historical movements which are clearly not brought about by the conscious wisdom of individuals. On the contrary, if you look at the broad lines of historical development, you are impressed by the fact that the individuals concerned had very little notion of what they were doing; they seem the instruments rather than the masters of the historical process; the process seems to be an unconscious one. If then what happens is not brought about consciously by the wills of individual men, how is it brought about? Hegel gives no certain answer. He seems rather to say that the important thing is not how it was brought about, but rather how far, when we look back upon it, this unconscious process appears to be rational and intelligible; and he talks of all this development as though it were not the work of any person's reasoning powers and yet were the work of Reason in general, as though ideas were operative without being ideas in anybody's mind. That way of talking, said Marx, is just mystification; it is using fine words which mean nothing to conceal ignorance; it is unscientific and irrational.

Marx himself, in a well-known passage in the preface to the second edition of *Capital*, states the difference between himself and Hegel as though it were the metaphysical difference between Materialism and Idealism. 'To Hegel the life process of the human brain, i. e. the process of thinking, which, under the name of "the Idea" he even transforms into an independent subject, is the demiurgus of the real world, and the real world is only the external, phenomenal form of "the Idea". With me, on the contrary, the ideal is nothing else

than the material world reflected by the human mind and translated into terms of thought.'[1]

Hegel would have certainly replied to this criticism that it was based on an unreal opposition between subjectivity and objectivity which his philosophy, if properly understood, would be seen to have overcome. And if this were all the difference between the dialectic of Hegel and of Marx, Marx would only be one more member of that school of materialism which developed out of Hegelianism. But Marx's contribution to historical dialectic is something much more definite and enlightening. What it was is suggested by Engels, when he compares Marx's discovery in the sphere of society to Darwin's in the sphere of biology. It is worth elaborating the comparison a little, for it brings out exactly what Marx thought he had done to Hegel's dialectic when he ' turned it right side up '.

Darwin did not invent the notion of the evolution of species. That had been suggested before his day. What he did was to think out and support with evidence a definite explanation of how it came about in detail. No one believed that species evolved by the conscious striving of individual animals or plants to evolve ; the process looked at as a whole seemed to be obviously an unconscious one. And yet it seemed impossible to explain how any mere material or mechanical process could have produced the elaborate purposive arrangements so obvious in the world of living things. The evident facts of design in the world were taken to be clear proof that the process of evolution was directed by the great over-ruling purpose of God. Darwin offered a theory to account for the existence of animals fitted to their environment without there being any conscious process of fitting. All living creatures produce more offspring than there is food for ; these offspring

[1] Marx, *Capital*, p. xxx.

exhibit variations from one another; the variations are accidental in the sense that they are not made in view of the environment; the unfit variations are cut out in the struggle between creatures too numerous for the food supply, and only the fittest survive. It is significant that Darwin was partly led to his discovery by the political economy of his time, by reading Malthus.

Marx claimed to have found the key to the development of society, which Hegel had admitted to be beyond the scope of individual wills, in economic struggle. Variations in the means of production brought about by new inventions correspond in Marx to the biological variations in Darwin. As new biological variations cut out the less efficient in the struggle for food, so variations in production cut out by economic competition the older less efficient forms. The prevailing means of production produces its own type of economic structure and division of society into classes. These produce prevailing moral and social opinions which seem to determine and shape the structure of society, but are really the effects, not the cause of that structure. The inventions are really as blind as the biological variations, for they are produced with no reference to or prescience of the social results which they produce. Both theories purport to show how a struggle which is in itself blind and haphazard produces results which seem purposive because in the process the unfit variations are cut out.

For Marx, then, Hegel's dialectic, when it is 'put right side up', becomes the materialist conception of history or economic determinism.

Before, however, we consider this large and contentious subject, it will be well to discuss more fully the dialectical method, for most of the misunderstanding of Marx is due to

the misunderstanding of his method. It is indeed not easy to understand, but it follows from his view of the facts. If you think with Hegel and Marx that reality or actual historical conditions are the meeting-ground, the scene of conflict of opposing tendencies, and that you get at the truth of things by understanding both the opposing tendencies and what comes of their conflict, then a natural method of discovering the truth or of expounding it to others is to take each tendency separately, to try to understand it in itself and then to go on to try to see the outcome of the conflict of the opposing tendencies. The method is abstract, for these tendencies are considered as though they had had a separate existence which in reality they never had. Reality is made up of agreeing or conflicting tendencies. Just because the historical process comes about through conflict, it is possible to see one tendency becoming predominant at a particular period, but, by the time that it becomes predominant, it has already begun to call forth its new opposite. There is never a time when only one tendency operates. For example, the general thesis of *Capital* is that the principle of private property produces the principle of capitalism, which in its turn produces socialism. Marx seeks to show how in the system of private exchange and production imagined by the classical economists there is a 'contradiction' which drove that system into capitalism, and how in capitalism similarly there is a 'contradiction' which will make it pass into socialism. But neither of these first systems ever existed quite as Marx describes them, and Marx does not mean to assert that either ever did exist in that way. It can indeed be said that within a certain period of this development one system had become predominant, that for example by 1860 in Britain the domestic system of industry had for all practical purposes disappeared, and capitalism had

taken its place. But the actual situation was in reality much more complicated than this statement suggests. Capitalism was predominant, and at the same time the domestic system lived on to some degree, and the stage beyond capitalism, social control, was at least beginning. Marx treats the early Factory Acts as the beginning of social control of production. If it is true, as Marx claims, that the necessary tendencies of each system considered in itself can be foreseen and predicted, that it is possible to foretell what it would bring about if it were left undisturbed, this does not imply any equal possibility of insight into the question of what actually can and will happen, because no system is or can be worked out undisturbed. In historical fact there is always a mixture of tendencies and systems, and what is true of systems is also true of individuals. 'Here', says Marx, in the preface to the first edition of *Capital*, 'individuals are dealt with only in so far as they are the personifications of particular class relations and class interests.'[1] Note the significant words, 'in so far as'. It is the mark of abstract laws that their application to concrete circumstances always involves an 'in so far as', and the law itself gives no answer to the question, 'How far?'

The misunderstanding of Marx, which is the consequence of the failure to grasp, even to the partial extent that he himself grasped it, the abstract nature of his method, is perhaps most conspicuous in regard to the theory of value, but that will be discussed later. But a discussion of two of Marx's doctrines should help to make clear the kind of abstraction which the dialectic method involves.

There has been a great deal of discussion in Marxian circles in Germany over the Marxian prediction of 'increasing misery'. Marx holds that it is the inevitable tendency of

[1] Marx, *Capital*, p. xix.

capitalism to degrade all labour more and more to unskilled labour; the result of which must be in an industrial country that great numbers of the population will lose the higher rates of pay which at an earlier stage of development differentiated them from unskilled labour, and that their wages will sink to subsistence level. As capitalism develops in any country, the mass of the population will suffer steadily increasing misery. It is often pointed out as if it were a refutation of this doctrine of Marx, that the misery of the undeveloped capitalism of the early part of the nineteenth century was much greater than the misery of the developed capitalism of the end of the century, that, as capitalism developed, the average of real wages on the whole has gone steadily up; the misery, in short, has decreased, rather than increased. Defenders of Marx often feel themselves bound to contend that the misery has increased, as if they would be denying Marx if they admitted that any improvement in conditions had taken place. Really the whole controversy is beside the point. The period under review saw the development of capitalism, i.e. the increasing use of machinery and the increasing concentration of capital; but it also saw the rise and development of quite another system, that of social control as exercised through Trade Unions and social legislation. What has actually happened is not the outcome of capitalism but the outcome of social control and capitalism acting on one another. But when Marx talked of increasing misery, he was talking of what would be the outcome of unmodified capitalism. Capitalism has never existed by itself, and whether Marx's account of the logical effect of a hypothetical capitalism on wages is exact or not, it cannot be confirmed or refuted by any appeal to unanalysed historical facts.

Another striking example of the abstractness of the dialec-

tical method can be found in the opposition between the Hegelian and Marxian accounts of the state. Hegel somewhere calls the state 'the march of God on the earth'; it is for him the concrete embodiment of moral ideals. Marx calls it the instrument of class dominance. No existing state really answers exactly to either of these descriptions. A state which was nothing but the instrument of class dominance; which was not felt to stand, however imperfectly, for some kind of common good, could not hold together. On the other hand, the working of all existing states is profoundly modified by class distinction and conflicts. Hegel and Marx are both describing the state as it is 'in idea', not states as they are in fact. Each would say that states as they are in fact are states in so far as they express 'the state in idea'. They differ radically as to what the state is 'in idea'. Hegel would say that in so far as any state showed the workings of class conflict, it was not true to its idea, because its business as a state was precisely to reconcile such conflicts. Marx would say that in so far as any state showed the working of real social control and rose above mere class dominance, it was something more than a state, was indeed moving on its way towards the new form which society would assume when the class conflict was resolved. Both conceptions are rooted in an analysis of the facts; they differ as to which of the principles at work they find to be dominant in the historical facts before them, and therefore in their use of the word 'state'. Neither gives a mere description of the facts. The contradictions do not arise from any mere discrepancy in observation or inaccuracy of description.

II

Economic Determinism

In the doctrine originated by Marx, which is sometimes called economic determinism and sometimes the materialist conception of history, we have the first outcome of the union of two schools of thought, one dominated by the Hegelian conception of historical development and the other by English individualist economics; a union, the fruitfulness of which is apparent in Marx's most illuminating thought, and which was to correct alike the abstractions of pure politics and of pure economics.

Behind Hegel and the Individualists lay two profoundly different conceptions of the nature of man. Hegelians were never tired of insisting that society was organic, by which they meant at least this: that the nature of society could not be understood by starting with individuals apart from or previous to society, and imagining that society was got by somehow adding such individuals together. For them the mere individual in isolation was an abstraction and a misleading abstraction. Men's desires and purposes, they taught, are made and formed by the society in which they live as much as society is formed by men's desires and purposes. A political society, they held, could not be brought into being or maintained by any balancing or equilibrium of individual wills, but only by some conception of common will or purpose. The English philosopher Hobbes had in the seventeenth century tried to show how a political society could be brought about from the collision of the fears and desires of entirely

selfish individuals. The political doctrines he had deduced from this attempt had been refuted by the facts of history, and political theory from Rousseau onwards had shown the futilities and fallacies of his attempt. For Hegelianism, then, it was a commonplace that society involved common purposes, some conception among the individuals who composed it of a common good, and that Hobbes's account of the nature of man as a selfish individual and nothing more, was incompatible with the existence of political society.

The English economists, on the other hand, belonged to the school of philosophy which Hobbes started. They treated society as a collection of individuals, and they treated the individual man as a collection of separate desires. The desires, because they were regarded separately, were treated as desires for the momentary feeling of pleasure which accompanies gratification, and individuals were thought of as necessarily seeking their pleasure or self-interest. These views of human nature had signally failed to explain the facts of politics, but they seemed more successful when applied to economic facts. It did not seem unreasonable in economics to treat men as separate individuals pursuing their separate purposes or their separate profit.

To any one who reflects on the pictures of man and society given by these two schools, it would appear that they both give a one-sided account. Men seem to be more separate and individual in some at least of their actions than the organic theory of society allows, and more social than the individualists allow. The success of the two theories in the respective fields of politics and of economics may be ascribed to the fact that men display their social purpose prevailingly in politics and their separate purposes in economics. Each inquiry is, like all scientific inquiry, abstract. The political theorist studies men

in so far as they display common purposes, the economist in so far as they follow separate purposes. But inquirers in both spheres are apt to forget the 'in so far as', and the political theorist sometimes talks as if men were only animated by common purposes, and the economist as if men were only actuated by individual ends. This certainly was very much the case at the time when Marx was writing. The German school seemed to look on society through rose-coloured spectacles, while the English political economy of the time had deservedly got the name of 'the dismal science'. Some German political theory seems to assume that men are always ready to sacrifice their private interests to the state, while the English school assume that men are incapable of thinking of anything but their own interests. Marx says of Bentham, the great apostle of the English school: 'With the driest *naïveté* he takes the modern shopkeeper, especially the English shopkeeper, as the normal man.'[1]

The first result of Marx's combining the tendencies of thought represented in Hegelian political theory and English economics was that he emphasized the influence of economics. That was natural; for as a disciple of Hegel he took for granted the notion of political development which was common ground for all the Hegelians. His original contribution was the discovery of the part played in this development by economic change, and the notion was pressed with all the enthusiasm, and, as Engels afterwards acknowledged, some of the exaggeration of a new discovery. But for Marx the new theory was to transform economics as well as history. It opened the way to an historical conception of economics as surely as to an economic conception of history. And so, whilst the emphasis of the Communist Manifesto is on the economic conception of history, in *Capital*, where Marx is more con-

[1] Marx, *Capital*, p. 622.

cerned with the errors of abstract economics, the emphasis is, if anything, the other way. 'The economical categories, already discussed by us,' he says in *Capital*, 'bear the stamp of history.'[1] 'In contradistinction to the case of the other commodities there enters into the value of labour power an historical and moral element',[2] and he continually attacks the abstract and unhistorical character of individualist economics. Since his time, and largely as the result of his influence, historians have paid increasing attention to the working of the economic factor in history, but economists have also paid increasing attention to the working of the historical factor in economics. The gist of much of Marx's criticism of the reigning economists of his time is that they wrote as if the economic laws that actually hold good in life could be arrived at by a study of abstract economic individuals living in an abstract economic world. His contention was that the economic conditions of England at the time could in fact only be understood historically, by a consideration of the effect of the impact on a largely feudal society of the new economic forces represented by machinery. For abstract economics, divorced from historical conditions and enunciating undeviating laws, Marx professes to have no use. Economics must consider history as much as history must consider economics, and the relation between the two studies must be a mutual one.

The doctrine of Economic Determinism which was evolved by Marx may therefore be regarded as a theory of society which realizes the *interaction* of politics and economics. For it is characteristic of Marx that he recognized that it is not enough to treat politics and economics as separate inquiries, because neither of them separately gives a complete account of the nature of

[1] i, p. 128. [2] i, p. 150.

man and society; and that economic facts and tendencies affect politics, and vice versa. A proper study of politics or of economics will recognize both the distinction between the two inquiries and their reaction on one another, and will not attempt to study either in isolation from the other. The political theorist who faces the facts of economic relations will insist that we cannot understand politics without recognizing how the sense of common interest which is necessary for effective political action is broken up by the working of economic factors into class interests, the effects of which may pervert and must modify the working of political institutions; while the economist who studies politics will see how economic individualism can be counteracted by the power and willingness of men to unite and act for common purposes.

But in the interplay of political and economic factors, the influence of one set of factors on the other may, as Marx claims, be predominant. He sets in sharp contrast two stages of social development, one in which the economic conditions control the political, the other, the society of the future, where the political factors, in the form of social control, will master economic conditions. Whether we agree with him here, or think that the contrast he draws is too sharp and clear cut, his theory of social development, taken as a whole, involves a recognition of the reality of both political and economic factors.

This, as will be seen, is an interpretation of Marx's economic determinism, which accords with all that he is contending for. There is, however, another interpretation current which it will be well to begin by examining. It is sometimes maintained that Marx entirely accepted the view of human nature held by the English economists, and thought that economic laws are necessary and inevitable, because men are necessarily [illegible]

follow their economic interest, and that, in consequence of this acceptance, he denied the reality of the political factor altogether.

According to this interpretation, Marx's doctrine of economic determinism was only one outcome of a complete metaphysical determinism. All men necessarily seek their individual interest and can have no other motive. Their different behaviour at different times and the different behaviour of different people at the same time are accounted for by the fact that changes in the instruments of production and differing relations to these instruments change the actions which are in the interest of individuals. There is no reality at all in moral or political ideals. They are not in any sense real factors in the historical process, but only the 'ideological' reflection of the underlying economic realities. All human events are as rigorously determined as the movements of the stars, and moral praise or blame of human actions is equally irrelevant. On this interpretation, then, the difference between Marx and the English economists did not consist in their respective views of human nature but in his pointing out that the facts of modern production made nonsense of their contention that a complete harmony of selfish interests was to be achieved by *laissez-faire*. That a harmony of selfish interests could be achieved he believed as simply as they did, but his recipe for it was Socialism.

Now there is doubtless ground in Marx for such an interpretation. Hobbes's account of human nature, from which the conception held by the individualist economists was derived, was the logical outcome of Hobbes's materialism, of his view that thought was just motion, and Marx, in *The Holy Family*, refers with approval to Hobbes as a precursor of his in materialism. And if materialism is indeed the essence

of Marx's doctrine, the rest follows. But to assert that this belief in materialism is the essence of Marx and of his economic determinism is to assert that Marx was in essence an individualist. For, as will be pointed out later, rigid determinism and individualism go together. That economic laws are inevitable and inexorable was the characteristic doctrine of the individualist economists. It had led them first to a complacent optimism, a belief that if only economic laws were allowed to have their way, undisturbed by the rash meddling of politicians, all would be well; then, as Malthus and the growing evils of the factory system extinguished these hopes and made men talk of the iron laws of political economy, to a complacent pessimism. This view of Marx as a rigid determinist involves us in believing that his attack on the individualist economists was confined to their *laissez-faire* doctrine, that he retained their view of economic laws working out inevitably, whatever man might do to help or hinder them, that he was content only to revert to an optimistic view of what those laws would bring about; to a belief that the cumulative effect of men's individual selfishness was overruled by dialectic, and that, if only we would wait and see, the ideal state of society was being surely brought about.

How hard put to it are those of his disciples who hold to this rigid theory of determinism to reconcile the fatalism of the theory with their call to action can be seen by the peculiar futility of their solution of the difficulty: that agitation cannot alter what is being brought about, but can bring it about sooner, as though a state of society brought about sooner were not a state of society brought about in different circumstances, and therefore an altered one. No one who knows anything about Marx's life can pretend that that life can be explained on the assumption that men can only follow their economic

interest, or that it was inspired by the thought that men need do nothing but watch economic laws evolving socialism.

But though it is hard to set a limit to men's power of holding a creed which their actions belie, the truth is that the real source of this metaphysical determinism in Marx, this assurance that economic laws are inevitably bringing about socialism, is not scientific, but religious. The devoted, passionate fighter for an ideal easily achieves an assurance that victory is bound to come, whatever may be the success or failure of his individual efforts. Just because he loses himself in his ideal, it assumes a form and a might independent of himself or of his fellows; it becomes something for which the stars in their courses are fighting. A belief in thoroughgoing determinism and a vigorous call to action are logically incompatible, but, if the call to action comes first, they are psychologically compatible. If you begin by believing in the inevitableness of economic laws, as some of the individualist economists did, you will preach inaction; but if you begin, like Marx, with a passionate sense of the need to act, you will be easily persuaded that the economic laws are inevitably working on your side.

This metaphysical determinism then, so far as it is found in Marx, is the dogma of Marx the prophet. There are passages in Marx which show that Marx the thinker was contending for a view of history inconsistent with rigid determinism, a view at once more sober and very much more enlightening. Engels, after Marx's death, expressly repudiated the extreme interpretation. 'Marx and I', he says in a letter, 'are partly responsible for the fact that the younger men have sometimes laid more stress on the economic side than it deserves. In meeting the attacks of our opponents it was necessary for us

to emphasize the dominant principle, denied by them; and we did not always have the time, place, or opportunity to let the other factors concerned in the mutual action and reaction get their deserts.'[1] And again, 'When any one distorts our statement so as to read that the economic factor is the sole element, he converts the statement into a meaningless abstract and absurd phrase.'[1]

There are two very significant passages in Marx himself where he contrasts the age of determinism with the age of freedom which will dawn when economic determinism is overcome. In the very passage in the introduction to the *Critique of Political Economy* which is usually quoted as the most striking statement of the doctrine of economic determinism, he sums up the moral of his doctrine thus: 'Mankind, then, always takes up such problems only as it can solve; since, when we look at the matter more closely, we always find that the problem presents itself to consciousness, only when the material conditions necessary for its solution already exist or are at least in the process of formation.'[2] He then goes on to describe the various forms of production as 'epochs in the progress of the economic formation of society', and bourgeois production as 'the last antagonistic form of the social process of production', and further describes it as the closing chapter of the 'prehistoric' stage of human society. Marx is here regarding the stages of production marked by a class struggle as prehistoric stages, as stages in the economic formation of society which is now in progress. When society in the proper sense is formed and the class war at an end, then, according to him and not till then, history proper will begin, because not till then will men really control their destinies.

[1] Quoted in Portus, *Marx and Modern Thought*, pp. 44–5.

[2] *Critique of Political Economy*, p. 12.

This thought is more explicitly stated in a passage in the third volume of *Capital*.

'The realm of freedom begins in actuality where labour, determined by necessity and external purposiveness, ceases; it lies therefore in the nature of things beyond the sphere of purely material production. As the savage must struggle with nature to satisfy his needs, to preserve and to reproduce his life, so must the civilized man, and he must do this in all forms of society and under all possible ways of production. As he develops, this realm of necessity extends, because men's needs extend, but his powers of production which satisfy these needs extend at the same time. There can be freedom in this sphere only to the extent that men in society, the associated producers, govern rationally the material given them by nature, and bring it under their common control, instead of being governed by it as by a blind force; develop it with the least expenditure of energy and under conditions worthy of and adequate to their human nature. But this is still a realm of necessity. Beyond it begins the development of human powers which is an end in itself, the true realm of freedom, though that can only come to flower if it is rooted in the realm of necessity.' [1]

In this passage Marx clearly uses freedom in two senses. The realm of production, where man wrestles with nature for the satisfaction of his material wants, is, according to him, always a realm of necessity. True freedom begins when this first task has been properly accomplished. But even in this first realm of necessity there can be freedom. There is the choice between being governed by nature as by a blind force, which involves a state of Economic Determinism, or bringing material conditions under common control. Economic determinism then, according to Marx, is not represented as the last word about the whole of man's nature, but as a fact to be

[1] iii, p. 954; my translation.

recognized and to be overcome. Marx retains Hegel's conception of the goal of historical development. It is the achievement of human freedom. This goal they both believe is only attained in and through society. Marx differs from Hegel in pointing out that so long as society as a whole does not control economic forces, economic forces will control society. Freedom cannot be achieved by a political state which leaves economic relations uncontrolled by a common purpose. Till they are so controlled, economic relations are a blind force, and until that blind force is mastered it is useless to talk of political freedom. The social relations produced by economic forces will continue to pervert and distort political relations.

Marx was writing at a time when the face of England had been entirely changed by the Industrial Revolution, and when all men, and the working classes in particular, felt themselves in the grip of malign forces over which they had no control. It is interesting to consider what Marx has to say both against the socialists who thought to attain freedom by turning their backs on all recent developments and reviving a simpler state of society, and against the individualists who wanted to rest in an acceptance of necessity. In his earlier writings where he most strongly emphasizes economic determinism he is attacking the Utopian Socialists. He is driving home to them the lesson that, if you want to make the world better, you must first understand it, and that to understand it is to learn that all problems which seriously confront men are determinate problems, dictated by historical conditions; that we do not and cannot solve them by abstract ideals or Utopias, but 'by discovering the material conditions for their solution already existing'. It is no use, he would say to some of our Guild Socialists of the present day, advocating a return to the Middle Ages. Capitalism is here, and that fact dominates the situa-

tion. Capitalism has its own laws of possible development. You must study these and see what practical possibilities are open to you. All effective action is action on pre-existing material conditions, which must be understood and taken as a starting-point. 'Man makes his own history, but he does not make it out of the whole cloth: he does not make it out of conditions chosen by himself, but out of such as he finds close at hand.'[1] More than that, he would insist, you cannot consider human wills apart from material conditions, as though they were unaffected by those social conditions which you are trying to change. Freedom flowers when it is rooted in necessity. That is the point which Marx wanted to emphasize to the socialists of his time. No doubt, in his eagerness to make his point, he said at times more than he consistently held. His polemical purpose often made him exaggerate. But the exaggeration is ours if we make him the advocate of a fatalistic policy of looking on and watching whilst evolution, in this best of all possible worlds, brings about perfection without any effort on any one's part. Men, says Marx, should study scientifically and impartially things as they exist, and then act. To conclude like the English Economists that there is no need to act is entirely unlike Marx. He was far from being willing to sit down and accept whilst 'others mournfully within the gloom of their own shadow walked, and called it death'. His warnings against ethical considerations are only a necessary warning against our letting our ethical judgements interfere with our scientific study of the conditions of our problem. To understand things as they are is the beginning of our task, and we cannot do that with the necessary impartiality and science if we are in too much of a hurry to judge them.

[1] Marx, *The Eighteenth Brumaire*, p. 9.

The passage quoted from the third volume of *Capital* shows that Marx can criticize the Utopian Socialists and yet repudiate the economic fatalism of the individualist economists. 'There can be freedom', he says, 'in the sphere of production only to the extent that men in society, the associated producers, govern rationally the material given them by nature, and bring it under their common control instead of being governed by it as by a blind force.' In the face of historical happenings he might well realize the necessity of deliverance from government 'as by a blind force'. An age of individualism had led to a condition of affairs where the people of England felt themselves in the grip of blind forces. Wordsworth speaks of the Happy Warrior as one who turns his necessities to glorious gain. The people of England in the early part of the nineteenth century seemed to have turned their glorious gains into necessity. The mechanical inventions to whose conditions and needs masters and men alike seemed enslaved were the outcome of freedom of thought and freedom of enterprise. They were not themselves mechanically invented, but the result of free creative thinking. It was this contrast between the individual sphere when men felt themselves free and masters of their purposes and the collective sphere where all felt themselves helpless that made the tragedy that very largely supplied the impulse behind the work of Marx. Once this contrast between the reign of blind force in collective matters and the increased initiative of the individual in matters which concerned himself is faced, it becomes clear that the problem of economic determinism has nothing to do with metaphysical determinism or materialism. For no general solution or theory as to the metaphysical question will in itself explain the contrast that has to be explained. If we hold, for example, that in reality all men's actions are determined, and that the

feeling of free will is only an illusion, then we have still no answer as to why the same conditions which increase this illusion of freedom in regard to individual enterprise create in regard to collective conditions an exactly opposite impression. Indeed, the best way of seeing how irrelevant complete determinism is to practical problems, is to ask why the doctrine of economic determinism arose when it did. If economic determinism is universally true at all stages of history, and if men's beliefs are only the ideological reflection of their economic conditions, as the rigid theory holds, why did not the theory get ideologically reflected until the nineteenth century? No answer can be given to that question unless it is recognized that there was something that was especially deterministic about the conditions of that particular time. But if determinism is always true in regard to economic conditions, it is inadmissible to make it more true of one period of time than of another. If we ask ourselves why the very economists who had advocated unregulated individual enterprise had come to believe in economic necessity as men never had before, a little consideration will show that this apparent paradox is not a paradox at all, but that there is a necessary connexion between unrestricted individual freedom and collective determinism. This is really a very old discovery. It had been made by the Greek sophists in the fifth century B. C., and rediscovered by Hobbes in the seventeenth century A. D. Assume that individual men act only in the light of their own narrow interests, and remember that, whether they take it into account or not, their actions affect other men, and other men's actions affect them, then the general conditions of a society of men acting in this way, whilst it is the outcome of the successful fulfilment of individual wills and purposes, will yet be such as no one has willed and as no one likes. Hobbes assumes a society

where individual men are actuated by a desire for their own security, and he shows that whilst they seek it individually life becomes 'solitary, poor, nasty, brutish, and short'. Their individual striving for security defeats itself. We are only too sadly familiar at the present time with the fact that separate nations striving separately for their security produce a world of insecurity and panic. Unregulated individual action then produces a situation in which individuals are helpless, where they find themselves at the mercy of conditions which no individual has willed and no individual can cure. That was very much the position of the people of England in the early part of the nineteenth century. They easily came to think of these conditions, before which as individuals they were helpless, as though they were the outcome of iron impersonal laws, in their nature unalterable. It is only when men can be brought to see that these conditions are the creation of their own unregulated actions that they also begin to see that the common control of their individual actions may correct them.

A simple illustration will make the point clear. When a panic of fire occurs in a theatre, the result of individuals all seeking their own safety is that they defeat their own ends; they produce a situation where men trample each other to death. There is a tragedy which no one has willed but which has not been brought about by impersonal forces, but by the combined result in these conditions of the unregulated actions of the individuals. So long as the actions of the individuals are not determined by collective control and insight, the decisive factor in the tragic result is the material conditions under which these individual efforts are made, i. e. the number and width of the doors and passages and the number of people trying to escape at the same time. The successful avoidance of tragedy depends on individuals agreeing to guide

their actions by some common rule, i. e. to come out in order, but also on the extent to which the common rule, i. e. the directions under which the audience come out in an orderly and rapid manner, is based on a knowledge of the material conditions, i. e. on a knowledge of how many exits there are and where they are placed. When a crisis does occur, the initiative of a single resolute man who can give the necessary orders quickly, and the character of the audience, its readiness to submit to the discipline of a common rule, may make all the difference as to results; but there is no way of ensuring safety, even given a perfection of human behaviour at a crisis, unless society t.kes the material conditions in hand in time and makes proper regulations in regard to emergency exits, doors opening outward, and fireproof curtains. Finally, if the tragedy is the result of men's selfishness, and if it takes some unselfishness to submit to come out in order, mere individual unselfishness will not avoid a tragedy. If, when the alarm was given, every man, instead of rushing for the door, waited for his neighbour to make his escape first, the audience would escape the trampling, but they would all be burnt. There you have all the elements of Marx's position. To the English economists he points out that, so long as individualism is unchecked, the decisive factor in society will be the conditions under which individual competition takes place, the inequalities of property which are taken for granted, and the conditions of machine production. Where human will abdicates, material conditions are supreme. To the Utopian Socialist he insists that effective co-operation has its necessary conditions, and that the greatest of these is understanding of the material methods of production which we are trying to control, and also that the control of material conditions by society is not an end to be accomplished in a moment, but can only come

at the end of a long historical process. Lastly, his impatience with the moralist comes from his conviction that without collective action and knowledge individual goodness is ineffective.

Marx's economic determinism, then, is not a mere reproduction of the English individualist doctrine with a different analysis of the direction of the outcome towards which economic forces are making. It is truly dialectical in its view of determinism as something to be overcome. Marx, like Hegel, thinks of necessity and freedom as implying one another.

There are two distinctive points in Marx's conception of economic determinism which are worth special consideration. The first is the conception of class war, the second is the predominating influence he attaches to change in methods of production or supply over changes in men's wants or demand.

We have seen that the interpretation of Marx's doctrine of economic determinism depends upon whether or no we suppose that he adhered to the view of human nature held by the English individualist economists. The same question as to interpretation arises in regard to his doctrine of class struggle, which, according to Marx, is the way in which social evolution comes about. To understand his doctrine we must ask what, according to Marx, constitutes a class? There is no question but that he held that classes were brought into being by economic changes, and more particularly by changes in the means of production. Much of his account of capitalism in *Capital* is devoted to showing how the development of machine production on a large scale produces a new class—the proletariate. Changes in the means of production produce new cleavages in interest between different sections of society, and those cleavages cut so deep that this conflict of interests seems to him the most important fact about society. This is

clear, and it is clear also that he regards this class conflict or class war as something which is destined to be overcome. What is not clear in Marx or in his interpreters is whether a class is only a name for a number of individuals whose individual economic interests happen to make them act together, or whether a class involves the possession by the individuals composing the class of common interests to which their individual interests may and ought to be subordinated. On the first view Marx is still an individualist at bottom. For it implies that the only motive which operates in society is the individual's desire for his own economic interest, and that, if men unite and act together, it is because economic conditions have brought it about that such united action is in accordance with each man's individual interest. Class struggle, then, can only be transcended by such a change in the means of production as will make conflict between the economic interests of individuals impossible. That such a complete harmony of selfish interests could be brought about by Collectivism or by any other kind of change in the means of production is surely an optimism only less fatuous than the individualist view that it was to be brought about by *laissez-faire*.

This conception of the meaning of an economic class not only makes much of Marx fatuous; it is clearly not in accordance with the facts. No one who considers, for example, the progress of working-class movements in the nineteenth century can maintain that that progress was brought about by men who had a sharper eye than their fellows for their own individual economic advantage. Its leaders have been almost without exception men and women who have sacrificed their prospects of individual economic advantage to the interests of their fellows; and the strength of such movements has come from the readiness of countless ordinary men and women to

work and make sacrifices for others. When men become what is called class-conscious, they no doubt may stress, sometimes unduly, the antagonism of their class with other classes. They may and do fall into the errors of a narrow patriotism, but the appeal which moves them rests on the recognition of their solidarity with others. A meaning of class more in accordance with the facts is more in accordance also with the Hegelianism of Marx and with the general trend of his teaching; and in reading Marx 'class' in phrases like 'class struggle' and 'class conscious' should be regarded as a species of community held together by some kind of group loyalty, by its members being prepared to sacrifice their individual interests to the interests of the community. Class loyalty, like all other group loyalties and patriotisms, will have its selfish and exclusive side; but it will derive its strength not from its exclusiveness, but from its internal solidarity, from the extent to which its members feel that they belong together, and are prepared to make sacrifices for the common cause. The conception of class struggle is then fundamentally an insistence that men's powers of working together are based not on vague feelings of universal benevolence, but on a real sharing of common hopes and fears, common ways of life and understanding. It is fundamentally the Conservative doctrine of the importance of the smaller patriotisms. The novelty in the significance of class in Marx's work consists in his insistence that the bonds of common religion, common nationality, common neighbourhood, are of no importance compared to the bond of common economic position and economic pressure. How far this last contention is true is not a question which admits of an absolute answer. The importance of the purely economic factor in creating groups has clearly varied from time to time.

There is a very practical importance in the difference between these two views of the nature of an economic class. If a class is thought to be only a name for a number of individuals whose economic interests make them act in the same way, then the emphasis in the theory will be on the economic factors which produce the unity and divergence of interests. Conflict between classes will be regarded as inevitable and in itself neither moral nor immoral. It may actually be looked on as a sign of health, on the ground that it is somehow more honest. For we have a curious way of regarding our fellows as especially honest and straightforward when they behave in the way in which our theories expect them to behave. It is sometimes easier for us to think that other people are dissembling than to admit that our theories are wrong. A theory which asserts that all men are necessarily selfish will give moral credit to the men who are openly selfish rather than to those who seem to be unselfish. So interpreted, the doctrine of class warfare may become as immoral as it is in this sense stupid.

But if economic class-consciousness is of a kind with other group loyalties, then, like these, it can be transcended. Nationalism gone mad, turned into a 'sacred egoism', is a danger to society, because it assumes that a man cannot love his country without hating other countries. But the remedy for such evils is not to deny nationality or to maintain that the interests of nations cannot conflict, but to make men care for the society of nations as well as for their own country, and to construct an international organization which may remove the main causes of conflict. Similarly, while class consciousness may easily degenerate into a state of mind where hatred of members of other classes is more prominent than love for members of one's own class, yet the remedy is not to deny the existence of classes or to maintain that there are no conflicts

of interest in society, but to make men care for the community as a whole as well as for their class, and to use the organization of the community to remove the economic causes of these social cleavages.

Marx's doctrine of the class war is not, when properly understood, incompatible with idealism. It is no doubt incompatible with that kind of idealism which seeks to cure social evils and divisions by asserting that they do not really exist. Its purport is to strengthen the hands of a true idealism by insisting, as was said above, that if men want to make things better they must first understand them as they are. The only way to produce a united society is to understand the extent and the causes of its present divisions. Such realism is the indispensable prelude of all idealism which is going to be successful.

Here, as so often, Marx's doctrines and the manner in which they are stated must be understood in their historical context. He was living at a time which saw the wearing down of most of the old principles of division in society—a wearing down which was brought about by economic changes. No doubt these principles have turned out to have more life in them than the early nineteenth century expected. But the general tendency of the time was against them. In their place Marx saw growing up the economic class. In the industrialized societies of Western Europe and America the economic divisions of society have become far more important than they have ever been before.

The Marxian doctrine of class conflict is, like much of Marxianism, the nemesis that followed upon philosophical Radicalism. Accept the principles of the French Revolution and of the English Philosophical Radicalism of the early nineteenth century; theoretically make light of and seek

practically to diminish the importance of all divisions in society —differences of birth, of religion, of nationality, of locality— think of and treat men only as abstract, alike and equal human beings; and yet leave undisturbed a system of production which emphasizes and produces inequality: then the more thorough your theory and the more successful your practice, the more overwhelming will be the importance of economic inequality and the more bitter the class struggle. In the abstract society of which the individualist economists talked, which they did much to bring about, the class war would be the fundamental fact about society, because the economic class would be the only real group. It is not in fact the only real group, because the abstract society of the Philosophical Radicals has never really existed; but just in so far as in the nineteenth century we have approached that abstract society, so far has the importance of the economic class increased.

Marx, as we have seen, holds that the determining factor in social evolution is change in the means of production. Men discover different methods of supplying their wants, and these methods carry with them certain social consequences and certain social distinctions. The particular form of social structure which is brought into being by the new means of production brings with it characteristic ways of living, and therefore characteristic forms of morality and general culture. A pastoral society has a different structure, and will have different habits from an agricultural society; different kinds of conduct will be advantageous and harmful to those two forms of society, and therefore in them there will be different views as to what is right and what is wrong. One form of society changes into another, not because men want to live differently, but because they discover new ways of satisfying old wants; and the new ways of satisfying their wants, because

they produce new social changes, produce in their turn new ways of living and new wants.

It has sometimes been held that men's wants are constant and unchanging, and that all historical changes in culture are merely changes in the means of satisfying these unchanging wants. Demand or want, being always the same in character, is thus never an explanation of differences in society. Man's ends are always the same: the means of attaining alone differ. This general theory of human conduct has appeared from time to time in the history of human thought. It has seldom been stated so forcibly or so uncompromisingly as it has by Hobbes. He gave up the old view that society depended on men's common recognition of what was right and what was wrong, and tried to show that it depended upon men's having the same fundamental wants. According to his doctrine, moral laws are valid only because and in so far as they are means of satisfying these wants. When they cease to be efficient means, they cease to be valid laws. The paradoxical result of this way of arguing is that though it begins by laying the emphasis on what men want, yet because they are supposed always necessarily to have the same wants, the interest shifts from the constant to the variable factor, from the constant wants to the variable means by which they are satisfied.

Hobbes was the spiritual father of the English Economists. Their moral theory, Utilitarianism, for all its differences from Hobbes's cruder teaching, followed Hobbes in taking for granted that there was something which all men wanted, and making the real subject for moral discussion the different ways in which that want could be satisfied. Economics, therefore, naturally followed the same lines. It took men's wants for granted: it regarded demand as a constant, given factor, and occupied itself with what it regarded as the variable

factor, changes in the means of production, and the varying capacities of individuals to produce. The labour theory of value which is common ground with Marx and the individualist economists cannot be properly appreciated unless we realize this fundamental assumption in the economic as well as in the ethical thinking of the time. The part played by demand in determining value seems to be ignored. In reality it is not ignored, but it is regarded as a constant factor.

Marx's own view on this question was less narrow than that of the Utilitarians. He recognized that men's standard of life, that is their wants which demanded satisfaction, changed from time to time for historical reasons. He recognized, that is, that men developed new wants. Because of that he could say, as we have seen, that 'there enters into the value of labour power an historical and moral element'. Nevertheless, because he thought these changes in wants—the moral element—were consequent upon changes in the means of production, he regarded the factor of wants or demand—the standard of life—as constant within one period of social development.

The fundamental issue involved in this view of social development can be seen most clearly if it is contrasted with the view set forth in the Republic of Plato. Plato ascribes the differences in political constitutions to the different characters of the men composing the states, and he describes these differences as choices of different kinds of life or preferences for different elements in life. There are, he holds, plutocratic states because there are plutocratic men, i. e. men who think the pleasures which can be got for money the most important element in life. When such men predominate, you will have a plutocracy: when most of the citizens care for honour and fighting more than anything else, you will have a militarist state. For Plato, then, the original and decisive element which

accounts for social and constitutional change is demand; the difference in the kind of life which men want. When men change their values, they will change social conditions: until they change their values, no attempts at social or economic change can be of any avail.

In the nineteenth century Ruskin and William Morris preached a similar doctrine. Mr. Tawney is its latest representative. The title of his book, *The Acquisitive Society*, in itself implies that capitalism is the result of men becoming more than usually acquisitive; the Marxian doctrine, on the other hand, would imply that men have become more acquisitive as the necessary result of the invention of capitalism. If we ask which of these two ways of regarding social change is true, the answer surely is that each taken by itself is one-sided, and the truth lies in both taken together. Changes in men's values, i.e. moral changes, affect the means of production, and changes in the means of production affect moral relations. At different times the effects of one kind of change will be more obvious than those of the other; but both are real and always to some degree operative. The inventions of the late eighteenth century brought in their train profound social and moral changes, but they were themselves made possible by earlier moral changes. Troeltsch has pointed out that the rise of modern capitalism implied the existence of a large number of people who worked much harder and longer than was necessary to satisfy their wants, and that that devotion to business for its own sake which had to be widespread in society before capitalism could develop was the direct outcome of Puritan theology and morals. The rise of Puritanism in its turn has its economic antecedents. To ask which is the original and decisive factor is like asking whether the hen or the egg came first.

Marx's almost exclusive pre-occupation with supply is partly, as has been noted, the result of his largely accepting the assumptions of the individualist economists, but it is also the natural reflection of the period in which he wrote. In the hundred years between 1767 and the publication of the first edition of *Capital* the face of England had completely altered; social life had been transformed from top to bottom, the spirit and temper of society had been profoundly changed. There was a more obvious transformation in men's ways of life, their ordinary everyday wants and expectations, in this period than there had been for hundreds of years before. Can any one maintain that the Industrial Revolution was not the predominant cause in that transformation? Surely, then, it was the new ways of satisfying wants that came first and the demand for their satisfaction that followed. How great is the part played in modern industry in 'anticipating demand', that is, in inventing and producing articles which it is expected people will like and demand when once they have tried them. Modern industry lives by stimulating rather than satisfying demand as no industry ever has before.

Marx, then, was writing at a period when change in the method of production, in supply, had more power in the reciprocal play of supply and demand than it had ever had before. The predominant place Marx gives to supply is not true for all time: it may be argued, as we shall see, that he exaggerated its predominance in the period with which he was especially concerned; but his conception of the importance of the means of production was largely true of the times of which he wrote.

III

The Labour Theory of Value

THE present position of Marx's theory of value is very curious and unsatisfactory. The theory is regarded by many Socialists as the keystone of Marxianism, but it is also regarded by many other Socialists as well as by most, if not all, so-called academic economists as an out-of-date and indefensible doctrine. The Fabian Socialists have long discarded it; Mr. Laski in his otherwise sympathetic account of Marx has no use for his theory of value; even Mr. Beer, most of whose book is a vindication of Marx, thinks this part of Marx's doctrine indefensible. The stock-in-trade of most anti-Marxian writers is the exposition of the absurdities of this doctrine. These last, indeed, often seem to be arguing that because the labour theory is absurd the rest of Marx can be condemned without examination, though they would never dream of applying the same line of argument to Ricardo. If it is safe to assume that the weak points of a system are those which its opponents attack, the labour theory of value, for many Marxians the main truth Marx had to teach, must be the weak point of Marxianism.

The result of this state of affairs is that people sometimes talk as though they must accept the existence of two systems of economics, Marxian and academic, as they do differing systems of theology, e. g. Roman Catholic and Protestant, as though the choice between the systems were an act of faith or the work not of the grace of God, but of the grace of economic circumstances. There are institutions where besides

a lecturer in ordinary economics there is a lecturer in 'Marxian economics', as in the theological faculties of some modern universities there are lecturers in the different theologies of the different branches of the Church. However this has come about, it is not a position to acquiesce in, if we regard economics as a study with any pretensions to be a science. How then is the position to be explained, and how is it to be remedied?

The common explanation is that economics, though a science, has so close and immediate a bearing on action that what is called bias, the desire to make free with the facts in support of a desired line of action, operates there as it does not do in the sciences more remote from the issues of social conflict. Each side in the controversy has on these lines an explanation of the failure of the other side to see the truth. The orthodox Marxian will say that the reason why he holds the labour theory of value is that it is true, but the reason why the academic economist does not accept it is that his desire to uphold the existing capitalist system prevents him from looking squarely at the facts. The academic economist, on the other hand, will say that he repudiates the labour theory because it is untrue, but that the Marxian accepts it because his desire to think badly of the capitalist is so strong that he accepts without scrutiny a theory which argues that the capitalist does nothing but exploit.

Such explanations are very unsatisfactory. They are the expression of an unworthy contempt of opponents; they ignore the fact that many socialists are unable to accept the labour theory of value, and above all they ignore the fact that the theory has served both sides. It began as an individualist theory, and was originally popularized in the justification of capital. No doubt Marx made an important contribution to the labour theory of value as it had been formulated by Ricardo,

but the extraordinary thing about most discussions on Marx's theory of value is that its critics and often even its defenders concentrate their attention, not on his special contribution, but on the views which he shared with the individualist economists. It cannot just be bias that makes men defend or attack a theory which has been put to such opposite uses.

In any case, the simple view that we have our opinions and our opponents their prejudices is clearly too simple. Bias does not work in that way for so long. No doubt there are in all movements men who let their prejudices and their desires run away with their reason, and who in defence of a position are ready to say that black is white. But in a sphere where argument is relevant, and both sides say that it is so in this question, bias cannot make men go on for long giving different answers to the same question. But when we remember that bias continues to make men think different things important and want to look at different sides of a complicated problem according to their different circumstances, it becomes plain that a possible result is this: that where they seem to be giving different answers to the same question, they are really answering different questions without having made this clear to one another or even to themselves.

The controversy on Marx's theory of value readily suggests a solution of this kind. It has often been refuted, and no one can read and master these refutations without agreeing that they are unanswerable on the assumption that they describe correctly the question that Marx was trying to answer and Marx's answer to it. They have the appearance of correctness because they usually back up their account of Marx's theory with ample quotations. Yet, if any one reads Marx himself after reading any one of these refutations, he must be struck by the fact that there are elements in the theory as Marx expounds

it, to which he obviously attaches great importance, about which the refuters are silent. Very few of them, for example, say anything about the element in Marx's theory which, according to Engels, distinguished it from previous labour theories of value, his insistence on the importance of the fact that what the capitalist buys is not labour but labour power. Their omission is simply explained. With no actual experience or first-hand knowledge of what is involved in the selling of labour power, they assume that Marx's theory of value is an account of how market prices are actually determined and the relevance to that of the difference between buying labour and buying labour power is not obvious. They suppose that the doctrine that prices are determined by the relative quantities of socially necessary labour in commodities is the foundation of all that Marx has to say, and that if they destroy the foundation, all the rest of Marx will collapse with it.

The ordinary Marxian begins at the other end, with actual experience of what is involved in the selling of labour power. He finds in Marx's account of the connexion of the selling of labour power with the capitalist's search after surplus value something which answers to his own experience. He knows that some of the superstructure built by Marx on the labour theory of value is sound, and he assumes the soundness of the foundation. The academic economist knows that the foundation is unsound, and assumes that the superstructure is therefore worthless.

It might seem, then, that the misunderstanding between the opponents and the defenders of the Marxian theory of value arises from the assumption common to both sides that the Marxian theory of surplus value and his teaching of the effect of the buying of labour power depends on the labour theory of value. We wish to show in the next chapter that Marx's

theory of surplus value can certainly be stated in a form which is independent of the general theory of value, if that is regarded as an account of how prices are actually determined, that as so stated it has a truth and importance of its own.

But the misunderstanding goes deeper than this. The critics of the labour theory of value take for granted that the theory is an account of how market prices are actually determined. They belong to a school of economics which has entirely separated the question of how prices can be justified from the question of how prices are in fact determined. For them the business of economics is scientific determination of facts, not justification or condemnation of these facts. But the economic writers of the early nineteenth century, by whom the labour theory of value was first popularized, had not made this distinction. They were reformers and scientists at the same time. They were concerned to find a moral justification for the system whose laws they were expounding. Marx and his present-day followers are in this matter of the school of the classical economists, and are concerned as much with what ought to be as with what is. Though the practical conclusions they come to are the opposite of the conclusions of James Mill and Macculloch, and are much nearer those of most modern academic economists, the spirit in which they approach the problems of economics is that of these earlier individualists, and Marx's labour theory of value is the outcome of that spirit and intelligible only in its light.

I propose in this chapter to examine the labour theory of value which is held in common by the individualists and by Marx, and to leave to the next chapter the special contribution made by Marx to the theory in his account of surplus value and of the collective labourer.

The labour theory of value, no doubt, whether in Ricardo,

Macculloch, or Marx, claims to be in some degree at least a theory of how market prices are determined. But the careful reader will soon find out that the market prices so explained are not actual existing prices, but the prices which would prevail under highly abstract conditions. A distinction is made by all the exponents of the theory between the value which is determined by the quantity of labour embodied in a commodity and the price at which it is actually exchanged, a difference created partly by the give and take of the market, but largely by the existence of monopoly. Adam Smith calls the first the natural value, Macculloch calls it the real cost, Marx enigmatically calls it exchange value, or more simply value. Both Macculloch and Marx assume that, as Marx puts it, in existing society commodities do not normally exchange at their values, or, in Macculloch's language, that there is normally a difference between real cost and exchange value.

Such a distinction between the results which would follow according to a general law and what actually does in fact happen is of course familiar in science. The general laws of science are all abstract. Science disentangles from the concrete fact many of the different tendencies or laws whose interplay brings about what actually happens. But the actual facts are so complex and rich that there is always some difference between the scientific result and the actual fact. As a science progresses that difference gets smaller, but it always remains as a margin of error.

If we consider the history of the theory of value as a progress in the more exact determination of the laws governing prices, we may regard the labour theory of value as a first crude generalization which has been supplemented in later theory by the analysis of the part played in the determination of prices by other factors than labour. As was noticed in the last chapter,

the early economists were living at a time when the outstanding fact in the economic world was the enormous change in the methods of production brought about in the industrial revolution. The economists were, for reasons that will be explained later, predisposed to neglect variations in demand. The changes in supply were in fact predominant, and the economists' pre-occupation with these and their neglect of the changes in demand was natural in the beginnings of the theory. Of all the early nineteenth-century economists, Ricardo was the most imbued with a purely scientific temper. He never regarded his account of value as satisfactory; he knew that it needed qualifications, and he would probably have regarded the modern analysis of demand offered by the marginal theory as a valuable complement to his own analysis of supply.

But the abstractions of the labour theory of value were not mainly inspired by a desire for scientific understanding; they had a very different origin; and the prevailingly scientific interest of Ricardo was not typical of his generation of economists. Halévy in the third volume of *La Radicalisme Philosophique* relates how while Ricardo was to the last uneasy about the labour theory of value, when the theory got into the hands of James Mill and Macculloch, 'the fervid religiosity of the Scot' converted it into a dogma.[1] The 'fervid religiosity of the Scot' does not glow without reason. If Ricardo was primarily concerned in a scientific inquiry into the conditions determining market prices, his Scottish disciples popularized a theory which was for them primarily a claim of right.

What may be called the original theme of all labour theories of value is the picture of a simple society where individuals exercise their labour on the freely given materials of nature.

[1] Halévy, *La Formation du Radicalisme Philosophique*, iii, p. 56.

The writings of Macculloch and of Marx on value might well be called 'Variations on a theme of Locke's'. For they go back to Locke's defence of private property, to his thesis that man has a right to the wealth which he has himself created by mixing his labour with raw material. The standard of the just possession of property in Locke's eyes is the isolated individual by his labour making nature conformable to his wants. It is for Locke an axiom that such labour alone gives an indisputable title to the possession of property. It is the basis of the natural right of property. This simple imaginary society of isolated individuals making the desert blossom like the rose is remote enough from any society which actually exists, but it constitutes for Locke and the exponents of the labour theory the standard of the just distribution of wealth. Just as the problem for the political theorists from Hobbes to Rousseau was to explain how society could secure politically to man his primitive natural rights, so the individualist economists are concerned to show how the natural title to property created by labour can be preserved when men enter into economic relations.

The labour theory of value is primarily a theory of natural right, and has the characteristic abstractness of all theories, which judge a complicated society by the standard of an imaginary simplicity. It is, like all theories of natural right, a revolutionary doctrine; for it is the application to the possession of property of the eighteenth-century principles which the French Revolution had applied to political power. The French Revolution destroyed the doctrine that some men had as such a right to rule over others, and sought to found a society where government was compatible with each man governing only himself. The labour theory of value is the negation of the doctrine that some men have in themselves a right to more wealth than others, and seeks to point the way

to an economic system where men co-operate in the production of wealth, and where each individually owns the wealth which his own labour has created and no more.

Theories of natural right are always to this extent misleading—that they are statements of ideals which pretend to be statements of fact; they set forth rights which ought to be acknowledged by society as rights which were acknowledged in some supposed primitive existence before society; rights which society is growing capable of recognizing as rights which have somehow always been recognized. They cover up sound statements of what ought to be under false statements of what has been, or good ethics under bad history.

The labour theory of value is misleading in somewhat the same way. It is primarily interested in what a man ought to get in reward for his labour, it thinks of the value of a man's labour or of the commodity produced by his labour in terms of worth. But it does not state plainly that it is concerned not with actual but with ideal prices: it does not make clear its denial of the doctrine that a thing is worth what it will fetch. It has always in mind an organization of society where a thing would fetch what it is worth. What Macculloch calls real cost and Marx exchange value is what a commodity would fetch in a society so organized; what Macculloch calls exchange value and Marx price is what it fetches under existing conditions.

The standard society where a man gets what he is worth is, as we have seen, a society without economic relations, where men subdue nature to their individual uses. The variations on that simple theme elaborated by the individualists and by Marx attempt to preserve its elementary justice in a setting more characteristic of existing society. The standard society assumed by the individualists and by Marx in his first six

chapters, where a commodity fetches what it is worth, is that first simple society plus the fact of exchange. It is, says Marx, 'a very Eden of the innate rights of man'. Its members, like the men in Locke's picture, work by themselves, mixing their labour with the materials freely supplied by nature. The demon of monopoly has not appeared. But no longer does each make all the articles he wants for himself. Men have invented the division of labour and each has become a specialist. This specialization has enormously increased the outcome of wealth, but to achieve it men have had to enter into economic relations with one another. They are all making commodities for exchange. How in a community dominated by exchange can they retain the natural title to property, that each man should possess what he has himself made, when obviously what each makes he does not keep, and what he keeps he has not made? The answer is that as there is no monopoly the exchange will be fair, and in a fair exchange there is equality. What each man gets, therefore, will be the equivalent of what he has made. Before exchange began, what he owned depended upon the amount and the skill of his work in supplying his own needs. Now what he gets depends upon the amount and the skill of his work in supplying the needs of others. Each man still gets the amount of wealth he has created. It is each man's labour that makes wealth, and what each gets is in amount, though not in form, what he has himself created. The justice of Locke's original society is retained with the additional advantage of the increased wealth produced as the result of the division of labour.

This standard society was clearly fitted to their needs by the early nineteenth-century economists. The advantages of the division of labour were their constant theme. Their whole Free Trade and *laissez-faire* policy was but the practical

application of the principle. The object of removing tariffs and all legal regulation of trade is that such expedients stand in the way of each country and person doing the work for which it or he has special aptitude. Specialization and free exchange were their watchwords. The labour theory of value which showed that free exchange guaranteed just distribution was a theory that justified the policy of *laissez-faire*.

Their creed was that if monopoly could be entirely destroyed and a state of pure competition brought into being, a complete harmony of interests could be brought about. Their labour theory of value is the expression of that belief. For the doctrine that the exchange value of the commodities made and sold under such a system is determined by the amount of labour embodied in them is only a way of saying that the amount of labour a man does for other people is the amount he does for himself. Free exchange brings it about that a man gets for his commodities money, i. e. power to get other men to serve his purposes, in the proportion that he serves the purposes of others.

Further, the economists had seen a society that was largely ruled by custom, privilege and legal restraint becoming increasingly a pure economic society. The society in which they were living was still one of free exchange tempered by monopoly, but much of the old monopoly had gone and they were attacking what was left of it. Their theory of value was therefore both a justification of their programme and an analysis, if not of the existing state of affairs, at least of a state of affairs that seemed in process of arriving. Regarded as a scientific account of how prices were actually determined, it certainly needed qualifications if the effect of monopoly on prices was to be taken into account. But as existing society was in their eyes one of free exchange qualified only by such

monopoly as was in the process of disappearing, the theory was in their regard as satisfactory for scientific purposes as any theory could be under the circumstances. This is the explanation of the double character of the labour theory of value, most evident, perhaps, in Macculloch, its character as reformers' programme and scientists' analysis, which is so puzzling to the modern purely scientific economist.

The labour theory of value, if regarded as an explanation of the determination of market prices, has two obvious defects —its disregard of monopoly and its inadequate treatment of demand. We have seen that the disregard of monopoly was deliberate and reasoned, because the theory is not really a theory of how actual market prices are determined, but an account of how market prices would be determined in conditions where commodities fetched what they were worth.

Neglect of demand is perhaps the most striking defect in the theory. For a theory of value which says practically nothing about demand is a theory of value which says practically nothing about valuing. Its exponents do not, of course, deny the necessity of demand for the creation of value. As was explained in the last chapter, it is because they start by assuming demand as something which can be taken for granted, that they say so little about it. They assume demand, but they neglect its variations. This neglect of the variations of demand and of the effect of these variations upon the determination of value was natural in a school of thinkers who started with the assumption of a fixed demand. The Utilitarians, who thought that all action was for the sake of pleasure, were not likely to produce a psychological theory of value worth considering. But their neglect of demand had more justification than the excuse of an inadequate psychology. The attitude of the Utilitarians to legislation was that it was

the business of the legislator to work for the happiness of the people, but that it was not his business wherein people found their happiness; that was their affair, not his. Any other attitude would involve the legislator in intolerable interference with the morals of other people. When Bentham said that pushpin was as good as poetry, he did not imply that these very different things gave him equal pleasure, but that it was not the concern of the legislator whether people found pleasure in pushpin or in poetry. He was concerned to supply people's wants, but was unconcerned to criticize those wants. That unconcern was essential if people were to be free to satisfy their wants.

When the Utilitarians turned their attention to economics, they naturally adopted the same attitude, and for the same reasons. The producer now occupied the position of the legislator. It was not his business what people wanted. If he made it so, he would become a despot, telling people what they ought to want and prescribing their demand. He was to take their demands as he found them, for only so could he leave demand free. His social function as a producer was to supply demand, and his reward should depend upon the efficiency with which the demands of other people were satisfied. A political economy which starts from this attitude will occupy itself, not with the question why things are valued as they are, but with the question why people are rewarded as they are for supplying the things that are valued or wanted, or with what is the worth to society of the individual's performance of his function as a producer.

Marx uses the labour theory of value in the same sort of way as the individualists had used it. It is for him as it was for them a theory of how prices would be determined under certain standard conditions. But his use of the theory is more

complicated than was theirs for two reasons. Marx's economic method, as has been pointed out, was historical, and a natural rights theory and historical method do not go well together. Marx meets this difficulty by pointing out in the beginning of *Capital* that the notion of commodities, which is essential for the labour theory of value, implies a certain stage of social development. The characteristics of that stage are that most production is for exchange and not for use, and also that 'the notion of human equality has already acquired the fixity of a popular prejudice'.[1] This second characteristic is significant. It shows that Marx's economic interpretation of history admits the influence on economics of moral facts as well as the influence on morals of economic facts. The labour theory of value was the application to economics of the principle of human equality. Marx, instead of using this principle as an outside standard by which to judge the economic facts, makes the principle a standard operative within the economic facts themselves. Marx's case for the inevitable transformation of capitalism into collectivism entirely depends upon the assumption that the notion of human equality will be strong enough to overcome the inequalities produced by the buying and selling of labour power. Capitalism is, in his eyes, an unstable system, because it assumes the notion of human equality and yet produces ever-growing inequality. The evolution of capitalism is for him evolution through the conflict of these two aspects. Marx, therefore, is able at one and the same time to use the labour theory of value as a natural rights theory and as an account of what is actually happening, because the claim of right which the theory embodies is one of the elements operative in the actual situation which he, as an economic historian, is describing.

[1] i, p. 29.

But, further, the labour theory of value is a weapon which Marx takes from the individualist economists to turn against them. He is intent to show that capitalism is condemned by the very principle, the labour theory of value, by which these economists had sought to defend it. For this polemical purpose he takes the theory with the characteristic setting which the individualists had given it. But Marx also uses the theory positively, and then, because his conception of the nature of society was very different from that of the individualists, his variation on Locke's simple theme of a standard society is very different from theirs.

That the standard implied in the theory of value in Marx is a double one is clear even in the first six chapters, which are more than any other part of *Capital* taken over from individualist theory.

At the end of the sixth chapter, before Marx goes on to his own theory of surplus value, there is a passage which makes it clear that in these early chapters he is assuming a situation identical with that assumed by the individualists.

'The sphere we are deserting, within whose boundaries the sale and purchase of labour power goes on, is in fact a very Eden of the innate rights of man. There alone rule Freedom, Equality, Property, and Bentham. Freedom, because both buyer and seller of a commodity, say of labour power, are constrained only by their own free will. They contract as free agents, recognized legal equals, and the agreement they come to is but the form in which they give common legal expression to their will. Equality, because each enters into relation with the other as with a simple owner of commodities, and they exchange equivalent with equivalent. Property, because each disposes only of what is his own. Bentham, because each looks only to himself. The only force that brings them together and puts them in relation with each other, is the selfishness, the gain, and the private interests

of each. Each looks to himself only, and no one troubles himself about the rest, and just because they do so, do they all in accordance with the established harmony of things, or under the auspices of an all shrewd providence, work together for their mutual advantage, for the common weal and in the interest of all.... this sphere of simple circulation and exchange of commodities, which furnishes the "Free-trader Vulgaris" with his views and ideas, and with the standard by which he judges a society based on capital and wages.'[1]

Marx here states that the setting of the labour theory of value as he has described it in the chapters of which this passage is a conclusion is a standard by which existing society is judged, and makes it clear that he is taking over, at least in its main lines, the theory of his individualist opponents. He does it in order that he may the more effectively destroy the justification of existing society which they had based on that theory. But in another passage, after caricaturing the individualists' curious habit of citing Robinson Crusoe as the typical economic man, he says: 'Let us now picture to ourselves, by way of change, a community of free individuals, carrying on their work with the means of production in common in which the labour power of all the different individuals is *consciously applied as one single social labour power*.'[2] The words italicized represent the key of Marx's variation on Locke's theme. The Hegelian conception of a self-conscious society is for him the setting in which Locke's natural justice is to be manifested.

Bearing in mind these general considerations as to the nature and purpose of the labour theory of value, let us now examine Marx's statement of that theory as he gives it in the introductory chapters of *Capital*, remembering also that what is there set forth is not Marx's distinctive doctrine, though there

[1] i, p. 155. [2] i, p. 50.

are some things distinctive of Marx in his statement of it, and that Marx's distinctive doctrine begins with his account of the buying and selling of labour power.

Marx begins his account of value by distinguishing between the 'use values' of commodities and their 'exchange values'. All commodities are of some use and have a value in use. 'Use values become a reality only by use or consumption: they also constitute the material content of all wealth.'[1] But the commodities which are of use have also in a society founded in exchange a value in exchange, as a man might say, 'I have no use for this myself but I can always get ten shillings for it.' 'Exchange value at first sight presents itself as the quantitative relation, the proportion in which use values of one sort are exchanged for use values of another sort, a relation constantly changing with time and place. Hence exchange value appears to be something accidental and purely relative and consequently an intrinsic value, i. e. an exchange value that is inseparably connected with and inherent in commodities seems a contradiction in terms.'[2]

This passage deserves consideration. It begins with a distinction, fundamental for all exponents of the labour theory, between use value and exchange value. It is with exchange value that Marx is concerned, so much so that when he uses the word 'value' without qualification he almost always means exchange value. But the beginning of a further distinction shows itself in the conception of an 'intrinsic exchange value inseparably connected with and inherent in commodities' that cannot be 'constantly changing with time and place'. It is clear that although Marx says that prima facie appearances are against the notion of intrinsic exchange value, he thinks that he can show that the notion is not really a 'con-

[1] i, p. 2. [2] i, p. 3.

tradiction in terms', and he is going to distinguish between the intrinsic exchange values of commodities and the varying and accidental values at which they may exchange.

The first simple form of this distinction is of course the elementary one between the relatively constant price and the varying commodities with which a commodity may be exchanged. But intrinsic exchange value means for Marx something more fundamental and constant than price. The price may be constant while the things that are bought with it vary. But Marx also thinks that the intrinsic exchange value of a commodity is constant while its price may vary. This distinction, as has been already said, is common to all labour theories of value; it is Macculloch's distinction between real cost and exchange value. Throughout *Capital* Marx continually says that he is making his theoretic analysis 'on the assumption that commodities exchange at their values', implying that in fact they do not always do so. The argument of the third volume, indeed, assumes that in a capitalistic society commodities do not normally exchange at their values,[1] and Marx gives in one passage a list of the conditions which are required in order 'that the prices at which commodities are exchanged may correspond approximately to their values'.[2]

What then is this intrinsic value to which the price at which the commodities are exchanged may or may not correspond? The view often attributed to Marx is that the intrinsic value of a commodity is stamped on it once for all by the labour which makes it, so much for every minute, a value that remains intact whether the commodity is wanted or not. This view is to begin with arrant nonsense. For if it held good we should never have to say, as we so often have to say of misdirected labour, 'What a pity that after all that labour, the thing is of

[1] cf. iii, p. 965. [2] iii, p. 209.

no value.' But when we misdirect our labour, we cannot have the consolation of saying that in a properly organized society the exchange value of what we produce would be measured by the amount of our labour, unless we believe that in a properly organized society it will not matter how great fools we are, so long as we work hard. But in any case this view is entirely inconsistent with what Marx goes on to say about the labour which creates value, his insistence that it must be socially necessary labour, and his reiterated statement that value is a social product. The view is too remote from Marx's doctrine to have been worth mentioning, were it not that its existence shows how the misleading suggestions of Locke's original theme cling about the variations upon it. The individualistic presuppositions of Locke went along with an atomistic way of regarding objects which implied that the qualities of things inhered in things themselves; these presuppositions accorded ill with the notion that these qualities may be constituted by their relations with other things. When value was looked on as a quality of an object, it was therefore regarded as not consisting of a relation between the object and something else, but as a quality which had somehow to get into the object and stay there. Marx, as we shall see, thinks that the amount of the value determined by labour depends upon the social relations of that labour, and that these relations can and do change after the labour has been performed. All value is therefore for Marx in a sense relative. But the relations which determine actual exchange values may be intrinsic or accidental. Intrinsic exchange value is for Marx the value which a commodity would have in a properly organized society where labour was performing its proper function. Intrinsic exchange value is the rate at which commodities would exchange under certain standard conditions. The standard conditions

are those prescribed by Marx's view of the ideal society, where 'the labour power of all the individuals is consciously applied as one single social labour power'. 'Only when production will be under the conscious and prearranged control of society, will society establish a direct relation between the quantity of social labour time employed in the production of definite articles and the quantity of social need which these articles are to satisfy.'[1]

How thoroughgoing Marx is in this view that real or intrinsic value is determined by reference to an ideal society can be seen by a remarkable passage at the end of the third volume. It is ordinarily supposed that Marx taught that all value is created by the wage earners and that all other members of society live by exploitation. His language often lends colour to that interpretation. But his real view is that 'in the determination of value the question turns around social labour time in general, about that quantity of labour which society in general has at its disposal, and the relative absorption of which by the various products determines, as it were, their respective social weights'.[2] In the light of this he makes the statement, which on the usual interpretation of Marx would be astonishing, that 'it is not wage labour which determines value',[2] or 'so far as labour has the specifically social character of wage labour, it does not create any value'.[3] Suppose that the productive forces of society, he is in effect saying, were really organized simply for the purpose of doing their proper work, were not perverted by the anarchic play of private interests, then and only then would the difference between exchange prices represent the different contributions made by the labour of different members of society, and therefore the differences between their just rewards.

[1] iii, p. 221. [2] iii, p. 1028. [3] iii, p. 958.

An historical illustration may be clearer than an imaginary one. It was the business of the officers of the Labour Directorate in France during the war to receive from the heads of the different services periodical demands for labour, i.e. demands to have so many men allotted to them for so long. There were always more things to be done than there were men to do them. The officers of the Directorate, therefore, before allotting labour, had to get from the General Staff an order of priority. The General Staff expressed their sense of the importance of the value of the different things to be done by the number of man hours they allotted to their performance, i.e. by the labour time. There society in general had a quantity of labour at its disposal, and 'the relative absorption of it by the various products determined their social weights'. Something like that happens in existing society, but it happens very imperfectly because both supply and demand are perverted by economic inequality, and therefore there is always a difference between intrinsic and actual exchange value.

But it is time to return to Marx's exposition. Exchange value, he says, as compared with use value, shows itself in the equivalence of commodities which have different use values. In the act of exchange the use values are disregarded. Yet such equations as twenty yards of linen = one coat = ten pounds of tea show that there is some identity in these commodities for all the differences in their use values. What is that something? We may leave out of consideration their use values for 'abstraction from use values is just exactly what is the obvious characteristic of the exchange relation of commodities'. 'They have only one common property left, that of being products of labour.'[1] The quantity expressed by equivalence of exchange value must be quantity of labour.

[1] i, p. 4.

This argument is the bare bones of the theme. Locke's solitary labourer mixing his labour with nature does not make things he does not want, so that nothing need be said about demand; his skill may be presumed to be fairly uniform, so that nothing need be said about differences of skill. The argument supposes there to be many of such labourers, and that they exchange the things they make on equal terms. Each will get in quantity, though not in form, what he has himself made, and the amount of the quantity will be the amount of his work.

But the argument in its bare bones is obviously fallacious, and it is well to recognize this before considering how far what is added to the simple theme remedies its defects.

It is obviously untrue that equivalent exchange values represent equal quantities of labour time. Skilled labour clearly creates more exchange value than does unskilled in the same time. Marx recognizes this, and says that the labour time which determines exchange value is an abstraction; an hour of skilled labour may represent several hours of undifferentiated unskilled labour. 'Skilled labour counts only as simple labour intensified, or rather as multiplied simple labour, a given quantity of skilled labour being considered equal to a greater quantity of simple labour.'[1] This gets over the difficulty, but at a price. For the statement about quantity of labour time, as it was first made, seemed to imply that you could first compute the quantity of labour time in a commodity and then say what its value would be. That was the basis of the proposal of some Socialists to substitute labour time tickets for money; a proposal which Marx repudiates with scorn. But in the amended version, if you ask how many units of unskilled labour are represented in one unit of skilled

[1] i, p. 11.

labour, the answer is that that is discovered in the act of exchange. The amount of labour time is not a real sum got by adding one unit after another. You first get the amount in the exchange value and then infer how many units there must have been. You first, so to say, look up the answer at the end of the book, and then cook the sum to fit.

The second obvious fallacy in the bare bones of the argument is found in the statement that 'abstraction from use values is just exactly what is the obvious characteristic of the exchange relation of commodities', and that therefore the only thing common to all commodities is that they have had labour spent upon them. 'Their particular use values may no doubt be disregarded, but no one disregards the fact that it is expected that some one will have a use for them. 'If the thing is useless, so is the labour contained in it; the *labour does not count as labour, and therefore creates no value.*'[1] Marx says that the particular labour which has been expended upon commodities is disregarded, but not the fact that labour and labour of a certain amount has been expended upon them. It is precisely the same on the side of demand. Why people want commodities, and the particular uses they are going to put them to, are no doubt disregarded in exchange, but any one making or exchanging commodities who entirely abstracts from the question whether or not the commodities are wanted and how much they are wanted, will speedily find out his mistake. Marx does not of course mean anything as silly as his argument suggests. He is not concerned to give a formula which will enable us to predict what a commodity will fetch, but to tell us under what conditions what it will fetch will be what it is worth. His method of allowing for demand, for the fact that a commodity has to be wanted if it is to have any exchange

[1] i, p. 8.

value, is to say that commodities exchange in proportion, not to the amount of mere labour, but in proportion to the amount of 'socially necessary labour embodied in them'. This conception of 'socially necessary labour' is essential to his theory, and by its help he works out his specific contribution to the general theory of value, the doctrine that value is a social product.

The conception is used by Marx in two ways to cover two different factors in the determination of value which he does not always clearly distinguish. 'The labour time socially necessary is that required to produce a use value under the normal conditions of production and with the average degree of skill and intensity prevalent at the time.'[1] In this definition no regard is paid to demand. It is assumed that the article in question is wanted. The demand being taken for granted, the reward of the labour supplying the demand will depend upon the relative skill of the individual labourer compared to that of others supplying the same demand.

But other passages recognize that this assumption that what is produced is socially necessary is not going to be left as an assumption. 'The labour time spent upon commodities counts effectively only so far as it is spent in a form that is useful to others.'[2] 'The labour of the individual producer must as a definite useful kind of labour satisfy a definite social want.'[3] Here Marx is meeting the point that a man might obviously spend immense skill and ingenuity in producing something which nobody wanted, and would not therefore produce any value.

The phrase 'socially necessary' suggests still a third meaning of value which sometimes seems to be at the back of Marx's mind, though he never specifically distinguishes it, a meaning

[1] i, p. 6. [2] i, p. 57. [3] i, p. 44.

depending on the distinction between what is necessary for society, what can be said to supply a social need, and what is wanted or demanded by individuals who happen to be in a position to have their demands satisfied, demands that might be unsocial or anti-social. Marx did not accept the individualists' identification of economic demand and real need, and his finding room for the factor of demand under cover of this ambiguous phrase enabled him to avoid committing himself to that identification.

When these two first implications of the phrase 'socially necessary' are taken into account, it is clear that if Marx thought that exchange value was an intrinsic character of commodities, he did not think that it was a character stamped upon them by nothing else than the labour of the individual in isolation, but only by the labour of the individual so far as he is performing a certain social function. Further, the question as to whether and, if so, how far he is performing such a social function, is conditioned by something more than the individual can control. For the processes which, according to Marx, determine the social necessity of labour, and therefore the exchange value of commodities, are, some of them, processes which 'go on behind the back of the producers', and which may be active even after the producers have finished their work, e. g. there may be commodities for which the demand ceases after production but before sale. 'The labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers.' [1]

Marx is insisting, and it is here that his exposition of the general labour theory differs from that of his individualist

[1] i, p. 44.

predecessors, that value is a social product and comes into being only as a result of all the processes necessary to the production of wealth in society. There is a very wide difference between this way of thinking and the individualism of Locke's simple theme. But the more Marx insists on the social nature of value, the further he gets from the conception of the individual labourer stamping value on his commodity so much value for every minute of work, and the more elusive and ambiguous becomes, as we have seen, the notion of the quantity of labour embodied in a commodity. How can there be a quantity of labour in the sense of a sum of definite units, if the character of the units depends upon the social necessity of the labour, and if the social necessity is continually being changed by subtle processes, some of them subsequent to the expenditure of labour?

An analysis of the various ways in which social necessity works is given by Marx in his account of the possible reasons why a weaver of linen may get less for his commodity than he might have expected, and it shows how much Marx includes under the conception of social necessity. 'It is necessary that the labour expended upon the commodity be of a kind that is socially useful, of a kind that constitutes a branch of the social division of labour.'[1] But even if it be that, it may happen that 'without the leave of and behind the back of our weaver, the old-fashioned mode of weaving undergoes a change'.[2] The result will be that the labour time that was socially necessary when the linen was woven is so no longer, and the linen weaver will suffer accordingly when he comes to sell. Further, although 'every piece of linen in the market contains no more labour time than is socially necessary', i.e. though it has all been woven on the most up-to-date

[1] i, p. 79. [2] i, p. 80.

methods, 'all these pieces as a whole may have had superfluous labour time spent upon them.'[1] 'The effect is the same as if each individual weaver had expended more labour time upon his particular product than is socially necessary.'[1] The weaver may suffer as much from miscalculation of demand as from working with inadequate skill.

If we summarize the result of this analysis, it amounts to this. If labour is to be socially necessary, and therefore to create value, the labourer must not only come up to the general standard of skill, but must meet and even anticipate rightly the demands of others. Skill in anticipating demand should then be regarded equally with hard work and technical skill as a factor in producing value. The social necessity of labour is not something fixed, but is determined by the proportion between men's capacities to produce and their wants. The conception of social necessity therefore transforms the labour theory of value into something not unlike the ordinary theory of the interplay of supply and demand. The exchange value of commodities depends upon the quantity of labour embodied in them, but the quantity is a quantity not of mere labour but of socially necessary labour, and therefore depends upon the social necessity of the labour, and the social necessity of the labour depends upon the differing skill of producers competing with one another, and the varying success with which they have anticipated the amount and the kind of the demand for commodities.

This is still not an account of how actual market prices are determined. The effect of monopoly on prices is entirely ignored, for reasons that have been explained. Marx's theory of value, like that of his individualist predecessors, is a statement of the conditions under which the producer would get

[1] i, p. 80.

his just reward. The part played by demand in determining value is expressed indirectly in the statement that the labour which determines value must be socially necessary, because value is regarded from the point of view of the producer who starts with knowing that his business is to satisfy demand. It is meant to be a partial statement of what actually happens, because Marx, like the individualists, thought that the conditions necessary to give the producer a just reward were partially, though far from completely, operative. It differs from the individualists' statement of the theory by the stress which Marx lays on the social character of value. The individualists still clung to Locke's notion of the materials of production belonging to nobody till they were appropriated by the individual who mixed his labour with them. Marx held that the only way of preventing the monopoly of the means of production was that they should be owned, not by nobody, but by society.

Where the individualists saw growing individualism, a society every day becoming more like Locke's simple 'Eden of the innate rights of man', Marx saw growing interdependence which made it hopeless to go back to Locke and necessary to go forward to a new society where the rights of the individual and social relations could be harmonized.

But the moving power behind the labour theory of value, whether in Marx or in the individualists, remains the same, the application of the belief in human equality to the distribution of wealth.

IV

Marx's account of Surplus Value and of the Collective Labourer

We saw in the last chapter that even in his statement of the general labour theory of value, Marx, while adopting largely the individualists' variation on Locke's simple theme, differed from them in his insistence that value is a social product. He has no expectation of going back to Locke's atomistic society, and therefore for him a theory of value, if it is to have any real application to existing society, must take into account the social relations involved in production.

The main subject of *Capital*, after Marx's preliminary statement of the general labour theory in the first six chapters, is an exposition of how the social relations involved in capitalistic production perverted value and of how capitalism was nevertheless on its way to produce a system where that perversion would cease. Marx starts with destroying the individualists' attempt to justify capitalism by means of the labour theory of value. He then goes on to show how the problem is transformed and how a solution to it is gradually being reached by the evolution of social forms of production. His attack on the individualists' defence of capitalism is his account of surplus value and its exploitation by the buying of labour power. His more positive teaching is found in his account of 'the collective labourer'.

Engels, in his preface to the second volume of *Capital*, says that the originality of Marx lay in his discovery, not of the labour theory of value, nor of the conception of surplus value

—these he took over from the school of Ricardo—but of the fact that 'the transformation of money into capital is based on the purchase and sale of *labour power*.' The individualists' abstract society, as we have seen, was a society of individuals producing commodities and exchanging them. They had in the appeal to this standard society for the justification of capitalism treated the bargaining between employers and employed as an instance of ordinary exchange, and had treated labour power therefore as an ordinary commodity. Marx's theory of surplus value is an exposure of the fallacies involved in this treatment of labour power.

This was not the only possible way of attacking the individualists' defence of capitalism. Since their justification of the results of the process of exchange depended on the assumptions that there was no monopoly, and that all men were equally free to make a fair bargain, Marx might have contented himself with pointing out that the inheritance of capital is as incompatible with equality as is the inheritance of land, and that the process of exchange is perverted when the parties to it are markedly unequal. Marx was, of course, aware of this weakness in their position. He points out that in a capitalist society the exchange which determines remuneration takes place, not between individuals in possession of commodities, but between individuals some of whom hold the means of production while the others are only in possession of their own labour power. Exchange can only be said to give men wealth in proportion to their labour in so far as all have equal chances of exercising their labour on raw materials, and no fair exchange can take place between men who are not equally free to make or not to make a bargain. No class which like the proletariate is shut off from the means of production is in a position to make a fair bargain, and so,

according to their own showing, the individualists must admit that a society which wants to secure to its members wealth in proportion to their labour must provide for equality of opportunity and must attack monopoly of capital as well as monopoly of land.

Further, the individualists had taken demand for granted and left it alone on the ground that human needs would be more really satisfied if demand were left free. But equal human needs express themselves in equal economic demands only if purchasing power is equal. Ten shillings spent by the poor man and ten shillings spent by the rich man have the same economic effect in determining what will be produced, but they may represent a quarter of the whole of the poor man's economic demand in a week, and only a fortieth of the rich man's. Free economic demand, entirely uninterfered with, means, if there are great inequalities of wealth, that the crying demands of some members of the community have to compete on equal terms with the idlest demands of others. The assumption which underlay much of the individualists' practical teaching, that if there is not an economic demand for an article it shows that it is not wanted, depended for its validity on an equality which did not exist.

Marx recognizes how free exchange, which should give remuneration according to labour, and free demand, which should give satisfaction of demand according to need, are both perverted by inequality. He did not, however, make this the main line of his attack upon the individualists. For they had recognized that there were inequalities in existing society which perverted the natural justice of the system of exchange. But they regarded these as accidental and as in the course of disappearing. Marx held that the treatment of labour power as a commodity involved an inequality which was not accidental

but fundamental to a capitalism such as the individualists defended, an inequality which showed itself most glaringly in the very different ways in which these economists dealt with wages and with profits.

In the abstract society assumed by the individualists' theory of value—a society of individuals making and exchanging commodities in which exchange value and service to the community correspond—it is clear that there is no distinction between wages and profits. All men are producers of commodities. In so far as their income represents what they have made by their exertions, it is more naturally thought of as profits; in so far as it represents the value put by society on their services, it is more naturally thought of as wages. Labour and social necessity, the individual's exertion and society's demand, are equally involved. The exchange value may be thought of as what a man makes by his labour, or as what his services cost the community.

But in the world in which the economists were actually living some people made profits and others were paid wages. The exchanging was done by the people who made profits, and it was in them that the economists were primarily interested. They overlooked the fact that the making and exchanging of commodities were activities which no longer went together as they did in the abstract society and as they had once done in real life. They applied their theory of the justification of exchange to the profit makers, while they treated the wage earners as one among others of the profit makers' instruments.

This meant that they had one theory of reward for profit makers and another for wage earners. They saw that there was something that the profit maker did, and that he made profits in proportion to his success in doing it, and they

wanted to justify this by identifying him with the producer-and-exchanger of their theory. Granted a system of free exchange, he was being rewarded according to the quantity of socially necessary labour he performed.

When they came to consider the reward of the wage earner, they thought of him primarily as a commodity bought by the capitalist, and not as a member of society entitled to a just reward. They did, however, seem able both to explain and to justify the price the capitalist paid for labour by applying the labour theory of value to wages. When applied to wages, however, the theory was used in a curiously inverted way.

In the original abstract society the actual exchange value, i. e. the price obtained by the commodity, represents the quantity of wealth the individual has produced. The theory starts with what the producer gets for his commodity and justifies the price, because that is held to tally with the quantity of the producer's socially necessary labour, and it can therefore be said that what others give him is the amount of value he has himself created. Now the wage earner has no commodities to exchange. He co-operates with others in a joint product. There are many producers and one act of exchange. Of the total amount of exchange value represented by the commodity, how are we to find out how much each has made, or represents the amount of each man's labour? We cannot measure his separate reward by the separate exchange value of what he produces. The old starting-point is lacking. But we can begin at the other end. We can start with what society or others have to pay to get the service rendered, since on the old simple transaction the price obtained might be looked on either as the quantity of wealth produced by the individual, or from another point of view, as the cost to society of the amount of labour expended. It is assumed that what a man

makes and what it costs society to produce his labour are equal. What it costs to produce his labour, or, to put it more conveniently for this theory, what it costs to produce him, will be equal to what he produces, and therefore will be his just reward. But the cost to society of unskilled labour is merely a subsistence wage, enough to produce the labourer and keep him at work. Thus the labour theory of value which justified the profits of the capitalists is twisted and turned to justify the subsistence level of wages.

The same result is produced by another line of argument. If the wage earner produces commodities but does not exchange them, he does, in selling his labour power, exchange something else. And we may treat the wage earner as some one coming with a commodity to exchange. If, therefore, we start with the price at which labour power is exchanged, a price settled according to the economists by the cost of subsistence, that price can be justified according to the labour theory of value, so long as it is settled by free exchange. But that result is reached only by forgetting that this commodity which the wage earner sells produces something, that it is not just a raw material of production exactly like machinery or cotton, something by means of which the capitalist produces commodities.

Both arguments disregard a fact which the individualist economists had at other times recognized, the fact of 'surplus value', the fact that the labour of some men at least produces more value than it takes to produce it; 'that unskilled labour' is not in its nature fixedly and unquestionably such, as pig-iron is pig-iron, but is an indeterminate source of power.

The principle that the value of labour power applied to commodities can be measured as well by what the labour

power costs to produce as by what the commodities it produces will fetch in exchange, would, if it were applied all round, result in a society where all services were paid in wages and none by profits. For the principle assumes the equivalence of what it costs society to produce the worker and what the worker produces. The community would ask, concerning all the work done in it, what it had to pay to get men capable of doing the work wanted, and how it is to ensure that it gets the expected amount and quality of work out of them. That is the question the state now asks when it is considering educational and administrative services, and what the employer asks when he is concerned with labour costs.

This would not, however, have suited the economists' book, because the equivalence between the cost of producing labour and the value of what labour produces, which the application of the labour theory of value assumes, does not exist. That equivalence assumes a static society, one in which wealth is not increasing. The individualist economists were living at a time when wealth was increasing by leaps and bounds, and when there were men who were making more value than it took to produce them. In the economists' eyes the chief part in this increase of wealth was played by the entrepreneurs, and the entrepreneurs' incentive was that what they made they kept, if not in form at least in quantity. The essence of profit as compared with wages is that it is payment by results as determined by exchange. Profit implies that the profit maker will be rewarded according to his foresight and inventiveness and initiative. The economists thought that the encouragement of these qualities was essential to the increase of wealth, and they adopted the labour theory of value because it enabled them to say to the capitalist that the more he displayed these wealth-producing qualities the greater would be

his reward, and justly so, because the greater would be the quantity of wealth which he had produced.

They did not say the same to the labourer. Marx uses the fact that individual labourers as well as individual entrepreneurs create or may create more wealth than it takes to produce them—the fact of surplus value, as it is called—to turn the tables on the economists' theory. For it upsets the assumption that, in the absence of any means of reckoning the value of what the wage earner produces, his just reward can be measured by what it takes to produce him, as it upsets the assumption of the alternative argument, that what the wage earner exchanges, labour power, can be regarded as a commodity like any other, a tool but not a producer. If, as the individualists held, the wages of labour are in fact necessarily determined by the cost of producing labour, namely subsistence level, then whenever the wage earner produces more value than it takes to produce him, as he certainly often does, a surplus exists, and since he does not get it, some one else must. If the reward of the wage earner is to be reckoned, not by the value of what he produces, but by the value of what he exchanges, his labour power, if the value of the product of labour power is more than the value of labour power, then again the wage earner does not get that surplus, and some one else must. That some one else is the capitalist. He gets the surplus value produced by his wage earners. Hence capitalist's profit is exploitation; for he takes what on the economists' own theory ought to belong to the people who produce it: the wage earners.

We can now see why Marx makes so much of the fact that what the capitalist buys is labour power. The fact can be described in another way by saying that the wage earner undertakes for a sum fixed beforehand to work at the capitalist's

direction. If he produces less than the value of his wages, the capitalist will lose. Therefore the capitalist demands with the purchase of labour power the right to organize a discipline which will ensure that he gets at least his money's worth; he demands the right to fix length and conditions of working time. Marx is talking of capitalism before social control in the shape of legislation and Trade Union action had done much to modify it. A great portion of the first volume of *Capital* is devoted to showing, from facts taken from official reports, to what lengths capitalists went in using this power to determine length and conditions of working time to ensure that they got even more than their money's worth. For if the wage earner produces more than the value of his wages, then according to the wage contract, not he but the capitalist gets it.

How are we to know whether the wage earners produce more than the value of their wages? The answer, according to Marx, is easy. For, inasmuch as nothing which the capitalist does produces any value, if he makes any profits at all, the increased value over the cost of his materials and of his labour which these profits represent must have been made by his wage earners. All capitalist profit is exploitation, for it cannot be anything else.

This simple and sweeping doctrine is indefensible. It depends on Marx's view that exchange creates no value, and that can be shown from Marx's own admissions to be unsound. Marx has overstated his case. No doubt much of his unfair exaltation of the manual labourer and his unfair depreciation of the buyer and seller was only an inversion of the unfairness of his opponents' arguments. If they identified the man who only organized and bought and sold with the individual producer-and-exchanger of the labour theory, he might, with as

little but with as much justification, make the man who only produced and did not sell play the same part. His neglect of the organizer is only the counterpart of their neglect of the manual worker. But the overstatement has done Marx's case much harm, the more because his opponents' overstatements are dead and forgotten, and his are very much alive. Marx's critics have fastened on the fallacy involved in the overstatement, and have never properly considered the importance of his teaching about the purchase of labour power.

It will be well, then, to examine Marx's argument that exchange cannot increase value. That is his ground for asserting that the capitalist produces no value. For until that is got out of the way it will be impossible to do justice to his real case. We have seen that according to Marx the quantity of labour determining exchange value depends upon the social necessity of the labour, and that his examples show that social necessity partly depends upon the skill with which demand is anticipated. It ought to follow that persons who help to bring about the equilibrium of supply and demand are increasing value. Without the continued approach between supply and demand which all the processes of exchange effect there would be much more misdirection of labour, i. e. people would increasingly make things that were not wanted or without the economic exactness of quantity in which they were wanted. When this skill of anticipating demand, instead of being exercised by the actual producer, is specialized in by some one who does nothing else, it does not, as Marx admits, lose its essential character. For the individual producer and exchanger, who both works with his hands and exercises his judgement in anticipating demand, and by both these processes taken together creates value, is substituted, in consequence of the division of labour, the labourer working with his hands and

the merchant who now specializes in anticipating demand. We should expect Marx to say that both these aid in creating value, the value coming into being by their joint efforts. He will, however, have nothing to do with this argument, but insists that the activities of the merchant create no value. It is not only the capitalist but the merchant who is excluded from the producers. Marx propounds as an obviously puzzling question, needing skill for its solution, how any one can make money by engaging in the process of exchange. The merchant or the capitalist begins with money, buys commodities, and sells them for more money. Commodities cannot acquire value in the process of exchange, for 'their value is already fixed before they go into circulation'. Where does the extra value come from?

Marx might have explained his puzzle in two ways, either of which would have been consistent with his examples. He might, acknowledging that skill in anticipating demand is one of the necessary factors in the production of value, and that specialization in the task is necessary in a complex society, have modified the sharp distinction which he makes between production and circulation. He could then have said that a commodity, before it goes into circulation, has only the potential value of any half-manufactured article. Or, if he wanted to distinguish between intrinsic value and price and allow the power of creating value only to such fundamental conditions of the production of wealth as are necessary in all forms of society, he might have recognized that in complicated societies certain functions, like specialized buying and selling, are necessary to allow these fundamental conditions to have their proper effect, and then he could have recognized that such functions helped to promote the realization of value and has to be rewarded.

He does actually in the later parts of *Capital* take something very like the second line of argument. For not only does he say, as we have seen, that wage labour as such creates no value, but in the second volume, which is devoted to circulation, he shows that he knows perfectly well the real answer to his puzzle. He there makes it clear that he is well aware that society cannot do without buying and selling, and that in a complicated society less value would be created if there were not people engaged in nothing but buying and selling. He analyses the position of a buying and selling agent[1] and admits that his work is necessary, for it sets free the labour time and labour power of others which would otherwise have to be expended on this process. 'Our merchant, as an agent promoting the transformation of commodities, by assuming the role of a mere buyer and seller, may alleviate by his operations the time of sale and purchase for many producers. To that extent he may be regarded as a machine which reduces a useless expenditure of energy or helps to set free some time for production.'[2] That is a grudging admission, but it admits the essential point. For it is really as much as to say that buying and selling is as necessary as so-called productive labour to the creation of value. Marx practically admits this when he says that 'Commercial capital creates neither value nor surplus value but promotes only their realization'.[3] The distinction between 'creating' and 'promoting realization of' seems to the ordinary mind a distinction without a difference. In any case, if Marx had realized earlier that buying and selling 'promotes the realization of value', he would have seen that the answer to his puzzle as to how the cycle of Money-Commodities-Money can produce more money at the end than it starts with at the beginning, is that the process of circulation

[1] ii, p. 149. [2] ii, p. 149. [3] iii, p. 331.

promotes the realization of the value somehow created but unrealized at the beginning, and his argument that profit is only possible by exploitation would have gone.

But while, when Marx really faces the part played by buying and selling in the satisfaction of social needs, he has to admit that it promotes the realization of value, he more often adopts a very different attitude towards it. The crucial argument in the first volume, which is the base of his overstated doctrine of surplus value, is curiously crude. He takes the case of a man who buys from A to sell to B, and says that if it were known that he makes a profit in doing so, 'A and B would declare that the whole series was superfluous and nothing but Hokus-Pokus; that for the future A would buy direct from B and B sell direct to A.'[1] This is disingenuous. If there were only one A and only one B, it would not be worth while in a market of two to specialize the skill involved in buying and selling: but, given hundreds of As and hundreds of Bs, they would very soon give up wasting their time in trying to find one another and to study one another's needs, and depute these necessary functions to special agents.

In the first volume, then, buying and selling is regarded by Marx as though it were a useless occupation, whose profits must be robbery. Marx has to look out for some one to be robbed. He finds that there can be an increase of value in the cycle Money-Commodities-Money, where the commodity bought and sold is labour power. For labour power is a commodity which itself creates value, and therefore, if the buyer of labour power and seller of the commodities produced by labour power makes a profit, he must have taken some of the surplus-value produced by labour power and belonging rightly to the workman. That settles the capitalist. But, if capitalism

[1] i, p. 134.

is exploitation, because profits can be made in the cycle Money-Commodities-Money in no other way, then the merchant's profit must be exploitation too, although, as he does not buy labour power, he has no one to exploit. It does seem clear that, if the cycle Money-Commodities-Money is a puzzle, the answer to it cannot lie in the peculiar character of labour power as a commodity. For profit can be made, where labour power is not one of the commodities bought and sold, by a village shopkeeper, for example. Marx actually faces this difficulty and promises to show that the merchant only makes a profit by somehow getting a share of the surplus value created by the labourer. When he comes to do this, however, in the second volume, he gives up the notion that getting a share of surplus value involves exploitation, and acknowledges that the merchant may be necessary in the 'realization' of value. He cannot really maintain that all merchant's profit is got by cheating, although he makes that assumption the ground for saying that all capitalists' profit must be exploitation.

But if we strip Marx's doctrine of surplus value of this exaggeration and free it from its dependence on the doctrine that exchange creates no value, we can see that it is a crushing answer to the economic teaching about wages of the early nineteenth-century economists, which condemned any attempt to settle wages except by competition, which defended both the profits of the capitalists and the subsistence wage of the wage earner. For their defence of the capitalist assumed the existence of surplus value and their defence of subsistence wages assumed its non-existence. Under the system which they defended, in so far as the wage earners put into their work more energy or skill than it is assumed that they will do when their labour power is bought, i. e. in so far as they

show those very gifts of initiative and energy which the individualist economists applauded in the capitalist, the surplus value they so create will simply be appropriated. It is here that the experience of the wage earners responds to the teaching of the Marxian theory of surplus value. It has been their constant experience to get no benefit from any extra energy and any extra inventiveness which they display, to find rather that the display of these qualities, even in schemes like piecework which seem to encourage it, is used for the purpose of cutting rates. To prevent such cutting of rates has been one of the main objects of Trade Union action. If it is now largely prevented, that is due to the fact that the undiluted capitalism which the early economists defended and Marx attacked has been tempered by the beginnings of social control represented by Trade Unionism.

If justice is no more than the application of the same system of reward to every one, the injustice of capitalism as the individualists defended it is clear. They had one system for profit makers and another for wage earners. Marx is only applying their own theory of value to the wage earners as they had applied it to the capitalist. However much he spoils his own case by exaggeration of the part played by the wage earner and depreciation of the part played by the capitalist in the creation of value, he effectually demolishes that of his opponent.

But Marx's analysis of the effect produced by treating labour power as a commodity is very much more than a simple Roland for the individualists' Oliver. His main discovery was that value was a social product, and that in that social product the social relations involved in production are as important as, but essentially different from, the social relations involved in exchange. The mistakes in Marx, such as that we have been examining, come from his not getting far enough away

from the individualist prepossessions of the theory he was transforming. The value-producing qualities, which in the simple abstract theory of Locke's theme and the individualists' variation upon it are concentrated in the individual producer, are in a developed society distributed. The skill, the foresight, and the direction, which were once its accompaniment, are now divorced from labour.

The economic unit which makes and exchanges commodities is now not an individual, but what Marx calls the 'collective labourer'. Marx's descriptions of the 'collective labourer' are worth quoting:

'Since the collective labourer has functions, both simple and complex, both high and low, its members, the individual labour powers, require very different degrees of training and have therefore very different values. Manufacture therefore develops a hierarchy of labour powers to which there corresponds a scale of wages. On the one hand the individual labourer is appropriated and annexed for life to a one-sided function; on the other hand the different specializations of work which the hierarchy requires are parcelled out among individuals according to their special capacities, natural or acquired. Every process of production, however, requires certain simple manipulations, which every man is capable of doing without any special training. They had a loose connexion with the more interesting parts of the work. From that they are now separated and ossified into exclusive functions of specially appointed labourers. Hence manufacture begets in every handicraft that it seizes upon a class of so-called unskilled labourers, a class which handicraft industry strictly excluded. If it develops a one-sided speciality into a perfection at the expense of a man's working capacity, as a whole it also begins to make a speciality of the absence of all development. Alongside of the hierarchic graduation there steps the simple separation of the labourers into skilled and unskilled. For the latter the cost of apprenticeship vanishes, for the former it

diminishes compared with that of artificers, in consequence of the functions being simplified. In both cases the value of labour falls.' [1]

'At first the workman sells his labour power to capital, because he is without the material necessary to the production of a commodity. Now his very labour power refuses its services unless it has been sold to capital. Its function can be exercised only in an environment that exists after the sale in the workshop of the capitalist. Made now unfit in his natural capacities to make anything independently, the manufacturing labourer develops productive activity as a mere appendage of the capitalist's workshop. . . . The independent peasant or craftsman used knowledge, judgement, and will in his work as the savage made the whole art of war consist in the exercise of his personal cunning. But now these faculties are required only for the workshop as a whole. Intelligence in production expands in one direction because it vanishes in many others. What is lost by the detailed labourers is concentrated in the capital that employs them. It is a result of the division of labour in manufactures, that the labourer is brought face to face with the intellectual potencies of the material process of production as the property of another and as a power that rules him. This separation begins in simple co-operation where the capitalist represents to the single workman the oneness and the will of the associated labourer. It is developed in manufacture which cuts down the labourer into a detail labourer. It is completed in modern industry which makes science a productive force distinct from labour and presses it into the service of capital. In manufacture, in order to make the collective labourer, and through him capital rich in social productive power, each labourer must be made poor in individual productive power.' [2]

The truth of this description of the change which has come over industry largely as the result of the Industrial Revolution must be generally admitted, but its implications are often

[1] i, pp. 342–3. [2] i, p. 355.

neglected. Before the Industrial Revolution the economic unit was the family or the individual; the prevailing economic unit has now become the collective labourer with hundreds or thousands of individual members. Individualist economics and the rights of man went well together, because individualism postulated the equality, the independence, and the liberty of its economic units, and, so long as these economic units were individuals, freedom for the economic unit and freedom for the individual were the same thing. As the factory system developed, the economists went on concerning themselves with the relations between economic units, but they were no longer talking of the relations between individuals. It was still of the essence of the system, as the economists defended it, that there should be equality between its economic units, but it was now also of its essence that there should be inequality within the economic units among the individuals composing the collective labourer. The composition of the collective labourer is, as Marx points out, a hierarchy of different grades of skill and pay. That composition is not determined by the differences of the individuals who are brought into the collective labourer. It is determined by the nature of the machinery. New inventions may transform a business all of whose workers are more or less skilled into one which must have a few highly skilled workmen and a great mass of unskilled. The workman in the earlier system had to do such tasks as other men wanted of him, but the workman under the new system has to *become* such as the composition of the collective labourer demands. He can only exercise such faculties as that has room for. With the development of machinery and the increase of specialization which has followed in its train, an increasing proportion of the members of an industrialized society are not wanted for anything else but unskilled labour. The crying evil of

'blind alley' occupations is but one familiar illustration of the prevailing tendency which Marx pointed out.

Here the fact that Marx has in one respect overstated his case has again had the effect that the real gravamen of his charges against capitalism has been overlooked. He has been taken to say, and his followers have often said it for him, that under capitalism the great mass of the wealth of the community has been created by the manual labourers and appropriated by the unproductive remainder. It has been justly urged against such extravagant statements that scientific inventiveness and gifts of organization have had far more to do with the increase of wealth than have the efforts of manual labourers. That is indeed the inevitable consequence of the change from individual craftsmanship to organized production. As the insight or mistakes of a general matter more to the success of a modern army than the skill or failure of a private soldier, so in modern industry the success or failure of the organizer is more decisive than the merits or defects of the individual labourer. The organizing and the inventing members of the collective labourer matter most in the production of wealth. A business can afford to have one or two bad workmen; it cannot afford to have one bad manager.

Such considerations, however true in themselves, are no answer to Marx's main charge against the system. For the more highly we prize inventiveness and foresight and organizing ability, the more we are bound to condemn a system which denies to the great bulk of its members the opportunity of exercising such gifts. If we tell the unskilled labourer that, so far from being exploited, he is hardly worth the money he gets, his answer is that, supposing that statement to be true, the blame for that condition of affairs should be laid on the system which asks for unskilled labourers and has no use for the display of

more valuable qualities on the part of more than a small number. There must, of course, be diversities of function in any social system, as there are diversities of gifts, but these should be as the diversities of gifts. The diversity of functions in the collective labourer, as Marx described him, involved a deliberate refusal to use and develop the gifts of many of its members. Very much of the malaise of modern industrial societies comes from the numbers of men they contain who are conscious of social gifts which they get no opportunity to exercise.

In view of these facts, Marx could not be content with saying to the individualist economists that their abstract system was satisfactory in itself, but that, if they were going to defend the existing condition of affairs in the light of it, they must remove the inequalities which perverted it, and attack monopoly of capital as well as monopoly of land. No doubt, when the Industrial Revolution started, its working had been perverted by the inequalities belonging to an earlier stage of social development, and the economists might urge that until these inequalities had been removed their system had not had a fair chance. Marx's point is that the purchasing of labour power with all that it implied was producing far greater and profounder inequalities than the system had inherited. Capitalism was not working in spite of human inequality but by means of it. Yet, inasmuch as capitalism developed in a society, where, as Marx says, 'the notion of human equality had already acquired the fixity of a popular prejudice', its need for human inequality involved a contradiction between the principles and the practice of the system. Capitalism was therefore on Marx's view essentially unstable; it was bound to pass into something else; get rid of the root of human inequality within it and become a really

social system of production, or, though Marx's optimism hardly admits this possibility, become frank slavery.

For perhaps a more important implication of the fact of the collective labourer than those already mentioned is the new meaning which its emergence gives to Marx's doctrine, that value is a social product. The setting of the original labour theory of value was a society where the only social act was exchange. Its justification was the doctrine that a man's labour, and therefore what he makes with it, is inalienably his own. Its favourite hero was Robinson Crusoe before the arrival of Friday. The act of exchange seemed to impinge but little on the isolated producers of Locke's simple theme. Exchange alters the form of what they possess, but not the quantity. That is determined for each by his own labour. Social relations are thought to affect the accidents of value; the essence remains the individual's own labour. This individualist theory can take in with little difficulty the facts of exchange, because exchange, like contract, is a very slight social bond. It is a relation in which men engage while they are pursuing each his own end. It is in fact characteristic of the purely economic relations typified by exchange that they do not necessitate community of purpose among those who take part in them. An economic relation has indeed been defined as one in which we serve the purposes of others in return for others serving our purposes. The purposes of others may be indifferent to us and ours to them. That does not stand in the way of the relation. To each party concerned the relation is only an instrument of, not a controller or shaper of, his purpose. We enter into such economic relations in order to satisfy purposes which we had before entering into the relations. The relation is always secondary and instrumental. The individualists had tried to describe all social

relations on the same lines. For whether in politics or in economics their endeavour was to preserve the integrity of the independent individual, owning no authority but his own will, spiritually sufficient to himself, using social relations as instruments, but never as masters. Contract and exchange alone preserved that complete independence, and therefore these writers had tried to explain all social relationships in terms of contract or exchange. But their attempt thus to explain such more permanent and real social unities as a state or a church or a family has always broken down, because such unities involve some real community of purpose. They are all of them more than arrangements by means of which individuals get what they wanted before they were members of the community. They all to some extent shape and control the purposes of their members. When men become members of such communities they become to some degree different men with different capacities and different wants. No doubt a man may join a state for what he hopes to get out of it, or a church because he hopes it will save his soul, or marry because he wants a wife to keep his house for him ; but if there is not more than that to keep state or church or family together, it will not last long.

The economists had tried to confine the relations between individuals under capitalism to exchange. Men were to buy and sell labour as they bought and sold boots, and for long all legislation or Trade Union practice which interfered with the freedom of contract which such a conception implied was resisted. But in taking this high line about freedom of contract they were, as Marx pointed out, inconsistent from the start. For the buying and selling of labour power contradicts it. No doubt the individual's entry into the collective labourer may be a free contract, but once he is inside the position is

entirely different. For he becomes a member of an organization whose nature is determined by its technical purpose, which involves centralized control and discipline. Bargaining stops and has got to stop inside the factory gates. The great new fact in production which the Industrial Revolution brought about was that the organization, discipline, and control of men became an essential of efficient production. In machine production the workman cannot sell his labour power without at the same time selling also to his employer the right to command and order him about. The freedom and independence of the individuals of the economists' standard society is entirely incompatible with factory production. That was a democratic, almost an anarchical society; factory production means rigid government.

To this essential fact the individualist economists were singularly oblivious. For they were themselves professional men, and the conditions under which a professional man sells his labour are entirely different. Most professional work is individual, and when a professional man sells his services, he does his work in his own way, under his own direction, and often in his own time. His contract gives no one else a right to order him about. He sees no sense in the statement that to sell your labour is incompatible with freedom. For he can sell his labour without submitting to the discipline of others. But the workmen of England in the early nineteenth century had gone through the stupendous change, bitterly resented when it came, and always keeping alive grounds of bitterness, of having to work under the orders of another, when they had been used to working by themselves. The right of the employer to 'do what he would with his own' became a claim within working hours to do what he would with them.

We have here the fundamental difference of outlook which

distinguishes Marxian and so-called academic economics. The latter are primarily concerned with the relations between economic units, and therefore especially with buying and selling, the determination and the movement of prices. The former are primarily concerned with relations within the economic unit, which are not relations of exchange but relations of government. It is not easy for either side to do justice to the difficulties and problems of the other.

Marx sums up the effects of the change which machine production had brought about by insisting on the differences between the division of labour in society and the division of labour in the workshop. The first is the division of function between independent labourers. They are all producers of commodities. The division of function between them is brought about by their different natural capacities to supply the demands of society. The prices fetched by their several commodities mark the differing values of their services to society. The second, division of labour in the workshop, is marked by the fact that 'the detail labourer produces no commodities. It is only the common product of all the detail labourers that becomes a commodity. Division of labour in a society is brought about by the purchase and sale of the products of the different branches of industry, while the connexion between the detail operations in a workshop is brought about by the sale of the labour power of several workmen to one capitalist, who applies it as combined labour power. The division of labour in the workshop implies concentration of the means of production in the hands of one capitalist, the division of labour in society implies their dispersion among many independent producers of commodities.'[1] 'Division of labour within the workshop implies the undisputed authority

[1] i, pp. 348–9.

of the capitalist over men, that are but parts of the mechanism that belongs to him. . . . It is very characteristic that the enthusiastic apologists of the factory system have nothing more damning to urge against any general organization of the labour of society than that it would turn all society into one immense factory.' [1]

• Capitalist production is a form of production in which the management and organization of men has become indispensable. That means that, under capitalism, production has become inextricably involved with government. In the society of individual producers the economic relations between producers did not necessarily involve any government of one man by another. In such a society unrestricted economic relations and liberty may well be thought to go together; it is possible there to refuse to discuss how industry should be governed, on the ground that no government at all is a possibility, and is better than any form of government; in such a society Liberalism and Socialism are opposites. But in factory production government is inevitable, and there we must discuss what kind of government it is to be. There the Liberal, if to be a Liberal is to believe in democracy, must explain why he will not extend democracy to the government of the collective labourer and become a socialist. Socialism is for Marx essentially the democratization of the collective labourer. Because it was that, he regarded it as inevitable; for a society in which 'the notion of human equality has already acquired the fixity of a popular prejudice', and in which the prevailing form of production is social and involves government, is already in principle committed to it.

Finally, let us consider the implications for the labour theory of value of the emergence of the collective labourer.

[1] i, pp. 349–50.

For that theory, as has been maintained, is in its essence individualistic. It seeks to unravel from a complicated system of production and exchange the separate contribution of each separate individual, to discern what each severally creates and reward him accordingly. No doubt, even in collective production, the different worths of different members of the associated producers can be partially estimated. But if production is really social, if 'collective labourer' is not a mere phrase, one factor in production is just the association itself. Now some part, no doubt, of what makes an effective whole may be done by the specialized organizing powers of individuals, but never all of it. For the organizing of men into a society is not like the assembling of the parts of a motor-car. It depends for its success on the willingness of all the individual members of the association to be organized and their continued readiness to work together. There are forms of society where the organizing is done from the top, and the individuals are more or less passive tools; but such despotic forms of organization, efficient as they are in their way, demand a habit of unquestioning obedience in those organized which is not compatible with a form of society inspired by the notion of human equality or with more than a low grade of intelligence in the individuals organized. Fear and force can make organizations of a kind, but never anything so effective as the active loyalty and co-operation of a society of equals. Modern collective production, for all its specialization, demands that kind of co-operation. Where it is present in a high degree it is a wonderfully effective factor in production. But if and in so far as this is so, some of the value produced is produced by the association, not by its separate members, and the attempt to represent the price of the commodity as an amount of separate values created by the labour of the separate individuals con-

cerned must break down. Some at least of the total value is created in common and, on the principle of justice which inspired the labour theory of value, ought to find a common, not a distributed reward. The labour theory of value and Marx's doctrine that value is a social product are not really consistent with one another. Once the latter doctrine is taken seriously, the assumptions essential for the former no longer hold. The labour theory of value, regarded as a principle for determining the just reward of individuals, ends, like the good dialectical principle that it is, in transcending itself, in showing that there cannot be justice for individuals unless their claim to be regarded as separate individuals, each with an absolute right to a definite reward, is given up.

It is not easy to say how far Marx recognized this implication of his doctrine of the collective labourer. His arguments often ignore it. It is ignored, for example, in the well-known problem whose solution was deferred till the publication of the third volume of *Capital*. When Marx said that according to the labour theory of value a capital which consisted of 90 per cent. of variable capital and 10 per cent. of fixed capital ought to give a higher rate of profit than a capital of the same amount but consisting of 10 per cent. of variable capital and 90 per cent. of constant capital, whereas in fact this notoriously does not happen, he assumed that the amount of value and surplus value created by the collective labourer is simply the sum of what is created by the individual labourers, and that their being brought together adds nothing. Marx's puzzle in the terms in which it is stated is really incapable of solution, and the solution offered in the third volume gives up the individualistic assumptions of the theory of value which produced the puzzle.

But though Marx may go on using arguments which his

account of the social nature of production has really refuted, it is clear enough that the main thing he has to say is independent of such arguments. For his main lesson is not that justice will be attained when we learn in some skilful fashion to disentangle the contributions of every separate individual to social production, but when we frankly recognize that production *is* social, and see that the society engaged in it is rightly constituted. The labour theory of value, as a theory of natural right, undergoes just the same kind of transformation in Marx as natural rights theories of politics had undergone in Rousseau. The problem with which Rousseau started, namely, how the inalienable rights of individuals could be maintained in society, is really insoluble in the terms in which Rousseau states it. His solution consists in saying that it is only in society and in virtue of man's social nature that he can enjoy or have any rights at all. But the conception of natural right is essential to Rousseau for all that his teaching supersedes it. For it is only the drive of the individual's demand for justice which is embodied in the theory of natural right that enabled Rousseau to get behind the accepted assumptions of existing society. In the same way, although Marx's teaching of the social nature of production supersedes the labour theory of value with its individualistic assumptions, the theory is nevertheless essential to Marx's teaching. For in him also it is only the drive of the demand for justice to the individual which the theory embodies which enabled him to get behind the assumptions of the existing economic structure and see what an economic structure of society might be.

V

Marx and Rousseau

THE thesis of the last two chapters has been that the labour theory of value starts in Marx as a theory of natural right, based as are all such theories of natural rights on an individualistic view of society; that while Marx retains to the last the demand for economic justice which is the inspiration of all forms of the labour theory of value, he transforms an individualist theory into something very different by his insistence on the social nature of value and of production. A parallel has been suggested between Marx's treatment of a natural rights theory in the economic sphere with Rousseau's treatment of natural rights in politics. I propose to devote most of this final chapter to a loose working out of that parallel, because it is by analogy with Rousseau that certain elements in Marx's work are best appreciated and his greatness and also his defects most easily understood.

History, of course, suggests readily enough a parallelism between them. Each was the intellectual precursor of a great revolution. If the men of the French Revolution were inspired with the 'gospel of Jean Jacques', the makers of the Russian Revolution were no less inspired with the gospel of Karl Marx, and for long the horrors of the French Revolution made it as difficult for men to appreciate Rousseau as the horrors of the Russian still make it difficult for men to appreciate Marx. Both men became symbols for the deeds which were done in their name.

The historical parallel goes a good deal farther. Rousseau's influence upon history was not confined to the French Revolu-

tion. His writings had already been one source of the democratic inspiration which made the American Constitution. As democracy developed in the nineteenth century and changed from a wild venture into a settled tradition, Rousseau came more and more into his own as the prophet and the philosopher of modern democracy. His doctrine of the sovereignty of the general will became a commonplace of political theory.

At the same time, while Rousseau may well be regarded as the man who expressed, as no one else did, the spirit of modern democracy, and who also brought to light its philosophical presuppositions, in the middle region of practical expediency and constitutional machinery his influence has been marked but very much less beneficial. If modern democratic theory goes back to Rousseau, its successful practice is largely based on English experiment and on the working out of the English system of representative government which Rousseau denounced. To Rousseau's influence is due a constant tendency in modern democratic theory to regard parliamentary institutions as at best a half-hearted compromise with pure democracy, to advocate direct legislation, and to insist that legislation and indeed government in general are not really democratic unless each individual voter assents to or at least individually expresses his opinion on all proposed legislation and elections. The pathetic belief in the referendum and the plebiscite as the panacea for all the shortcomings of democracy is undoubtedly due to the influence of Rousseau.

Opinions may vary as to the value of such devices as the referendum when they are used to supplement a representative system, but the idea that direct legislation could take the place of a representative system in a modern state is absurd. Modern democracy, when it most truly realizes that sovereignty of the general will which Rousseau preached does it by means of

constitutional devices which he repudiated as undemocratic. Rousseau is the worst of guides to the practical realization of his own ideal.

The explanation of this is simple. Rousseau's influence has been so deep and so abiding because he concerned himself with the fundamental human relationships at the basis of society. He deals primarily with the moral, not with the legal aspect of the state. He starts with the individual's demand for justice or freedom. He recognizes that that is a moral demand, and he insists that it is only in society that that moral demand can be satisfied, as he insists that it is the primary business of society to satisfy it. He corrected individualism by insisting that the claims of the individual can only be met in society, and that therefore only such claims of the individual can be regarded as legitimate as can be met in society; but he also corrected collectivism by insisting that that form alone of society was legitimate which devoted itself to the demands of the individual. He himself held firmly on to both these sides of his teaching, although some of his disciples got from him an individualism which was self-destructive, because it was destructive of society, and others got from him a collectivism which exalted the authority of the state at the expense of individual liberty. He was able to hold on to both, because he understood and sympathized with the simpler forms of human relationships. His ideal was a small society whose members could feel that they understood one another and belonged together. A society of that kind can easily have a real general will. It has an obvious common life, and its members can see what that common life requires, and can recognize without a struggle the obligations that such requirements put upon them. Rousseau's doctrine of the sovereignty of the general will, the doctrine

that the general will is the only true basis of legislation and government, is but another way of saying that in such small societies of men who share a common life is to be found the only true pattern of political society. So conscious was he of this himself that he sometimes seems to imply that his doctrine has no application to any but the tiniest states. He undoubtedly always recognized that the realization of this simple ideal in any modern society would be a complicated and difficult business, but his heart was not in the thought of the complications but in the simplicity of the ideal. His mission to his time was to recall a complicated and sophisticated civilization to the simple realities of human life.

It was his hold on such simple realities that gave him such far-reaching influence. Moral ideals which move men are always appeals that society as a whole should be conformed to the conduct which is realized among brothers or friends or in a family or a small social group. But if men seek to realize on a large scale the spirit animating such smaller groups by trying to give the large society the same organization as the smaller group, if they copy the small society in the letter in the hope of thereby producing the spirit, the results are usually disastrous. Plato's communism is an attempt to organize a city as though it were only a small circle of friends or a single family, and Rousseau's practical teaching has the same kind of defect. Representation is unnecessary in a small society, and he has therefore no use for it anywhere; in a large society, as in a small one, all members can vote, and therefore the referendum comes to be regarded as the standard device of true democracy.

When men came to apply Rousseau's teaching to practical politics, they tended to think that, because the ideal of democracy was a simple ideal, its realization was also a

simple matter, was only a question of such expedients as universal suffrage or annual parliaments or declarations of the responsibility of all government to the people or of the inviolability of certain natural rights. Political changes made in that temper have always been followed by disillusion, and men who have experienced the evil results of such impatient idealism are easily led to denounce altogether the application of ideals to politics. Nevertheless, dangerous as it is to think the realization of ideals in politics a simple matter, it is even more dangerous not to be constantly appraising our complicated social arrangements in the light of simple moral ideals. If the belief in a false simplicity, which is an element in Rousseau's teaching, did harm, and undoubtedly it did, that has been more than compensated by the profounder truth which men have learnt from Rousseau, that political institutions are made for man, not man for them; that all governments are to be judged by what they do for ordinary men and women and by the extent to which they enable all the members of society really to share in its common life.

This description of Rousseau's influence may seem at first sight to have little bearing on Karl Marx. In much of his character and teaching he was indeed far removed from Rousseau. Rousseau was a bundle of intuitions; Marx was nothing if not learned and elaborate and systematic, so that while the *Social Contract* has less than three hundred pages, *Capital* runs to several thousand. Rousseau was one of the most versatile of men; Marx stuck unremittingly to his one self-appointed task. Rousseau preached a much loftier morality than he practised; Marx preached that all men were selfish while living a life of singular unselfishness. Rousseau's thought was revolutionary enough, but he recoiled in horror from all proposals of violence. Marx was in practice more ready

for instant revolution than his theory of social evolution warranted.

The great advantage which Marx had over Rousseau was in his grasp of the conception of evolution. He had learnt from Hegel that the realization of ideals is not the achievement of a moment, but is brought about by a process of historical development. He had no need, therefore, to say exactly how and when his ideals were to come about. They were actually being brought about, in fact, and the rest could be and had to be left to the future. His business was to discern the factors which were on the way to bring them about. These factors, no doubt, could be encouraged or checked, and men could do their part in realizing socialism, if they learned to understand how it was being brought about. But Marx condemned all Utopias which purport to set forth the exact methods and machinery by which social ideals are to be realized. He had Hegel's impatience with the impatient idealist.

Marx's grasp of the importance of historical development had, however, the curious result that it to some extent blinded him to the real source of the power of the doctrine he preached. His socialism was to be scientific, and that was sometimes taken to mean that it was to have nothing to do with morality; it was not to talk of ideals, but of facts; not of what ought to be, but of what inevitably was going to be. He was in his own eyes a scientist, and a scientist was for him very much not a moralist.

Nevertheless, in spite of Marx's disclaimer of morality, no one can read *Capital* without being aware of the vehemence of moral passion which inspires it. His description of capitalism is full of moral indignation. His fundamental inspiration is a passion for justice, and it is that that has made his influence so remarkably parallel with that of Rousseau. He starts like Rousseau with the analysis of a society, which in his words

is a 'very Eden of the innate rights of man'. He shows how as the result of the inequality involved in capitalism these equal rights are destroyed. He then goes on to show how out of this unequal system a social system of production may be evolved which will have the superior efficiency of social production, but which, because it is the production of a self-conscious and democratic society, will restore the equality of its members. The working out of this thesis is profoundly different from anything in Rousseau, because Marx is intent to show how his ideal is actually being brought about. He brings to his task an immense learning and detailed industry of which Rousseau would have been incapable. The elaborate description of the development of capitalism, the detailed analysis of the processes of capitalist production and circulation, push the ideal element in Marx very much into the background. Many readers of *Capital* regard it only as an historical analysis or as a gigantic piece of reasoned economic prediction. But the history and account of actual tendencies is set by Marx in the framework of a theory of value. Some commentators of Marx who admire him as an historian or as an analyst of the tendencies inherent in a capitalist system hold that too much importance has been attached both by critics and defenders of Marx to the labour theory of value, that we might drop it out altogether and yet preserve all that is essential in his system. But that theory is not an incidental discovery which Marx happened to make or an incidental heresy into which he happened to fall in the course of his work as an economic historian. Marx's notions of value and of surplus value dominate the whole work. It is from a sound instinct that the ordinary Marxian student holds on to the labour theory of value in spite of all the apparent refutations of it as essential to Marx's system. For it and it alone provides

a standard by which the economic conditions analysed can be judged.

If the labour theory of value were only a theory of the actual determination of market prices, it could not play the paramount part that it does in *Capital*. It would be one among the various economic doctrines held by Marx, and if it were judged to be erroneous it could be dropped without any loss to the value of the rest. It does actually provide the framework of the whole book, just because it is the expression of the root principle according to which any economic system will be accepted or condemned. Kant says somewhere that it was from Rousseau that he learnt the natural dignity of man. That was the truth which he discerned behind the theory of natural rights. The power of the labour theory of value in Marx with many who care little for the correctness or the incorrectness of the abstract reasoning in which it is expressed is that it seems to them with justice to declare the dignity of human labour. When men paint up on the walls of their public halls or inscribe on the membership cards of their Trade Unions 'Labour is the sole source of wealth' they are not expressing a casual economic doctrine; they are making a fervid declaration of right.

The labour theory of value in Marx begins, as we have seen, with having, like all theories of natural right, an individualistic setting. It seeks to base right on relations between men that are hardly social. Marx uses the theory in this form as an effective weapon of criticism against a defence of capitalism which had the same presuppositions. But the setting which is distinctive of Marx and the basis of his positive teaching is 'a community of free individuals, carrying on their work with the means of production in common, in which the labour power of all the different individuals is consciously

applied as one single social labour power'. The claim of right which the individualistic theory embodies can only be realized according to Marx when the anarchy of individualism is exchanged for a true society. 'Only when production will be under the conscious and prearranged control of society will society establish a direct relation between the quantity of labour time employed in the production of definite articles and the quantity of the demand of society for them.' Rousseau began by using an individualistic theory of natural right to attack a society based on inequality of rights, but when he came to his positive teaching he made the basis of rights a true society of equals. As Rousseau's theory of the general will is inspired by the pattern of a society small enough for the spirit of the whole to inform the will of each member, so Marx's collectivism is inspired by the pattern of a small society like a family, where the needs of each member can be appreciated and the powers of each directed by the society as a whole. 'To each according to his needs, from each according to his powers' is the natural rule in a family.

Rousseau, because he knew what a real general will could be in a small society, held on both to the authority of the general will and the freedom of the individual, though his followers either exalted the individual at the expense of society or society at the expense of the individual. Marx held on both to social control of production and to the rights of individual members in the distribution of the product. Some of his followers retained only the individualism with which Marx began, and imagined that, once the class war was over, a purely anarchistic society without any kind of government would come into being. Others retained only the conception of social, which in practice meant government control of production, and advocated the application to industry of a centralized and

pervasive system of government which left and was meant to leave little or no freedom to the individual. Neither Rousseau nor Marx can explain exactly how their ideal is to be realized on the large scale prescribed by the modern state. Rousseau inclines to say that the ideal is just not applicable on a large scale; Marx's answer is that the solution to the problem will be worked out in the realm of concrete experiment and not in theory. Neither really does more than point out the lines along which a solution is to be sought.

As Rousseau, because his mind was occupied with the thought of a simple society, entirely failed to appreciate the importance and value of such devices as representative government, by means of which alone anything like a general will can be brought into being in a large society, so Marx, with his mind fixed on his simple economic ideal, does less than justice to all the economic machinery necessary to realize it on a large scale. Marx will not allow any share in the creation of value to any economic activities which would not exist in his simple ideal society. He will not see that 'the conscious application of the labour power of all the different individuals as one single social labour power' must necessarily in a society of any size be a very elaborate business, that it would almost necessarily involve markets and an elaborate organization of buying and selling and anticipation of demand. When in his analysis of circulation he is forced to recognize the necessity of specialized buying and selling, his prejudice against such complex economic functions makes him invent the absurd distinction between 'promoting the realization of' and 'creating' in order that he may not have to admit that these activities create value. All the economic facts, like the payment of interest on capital, that occur because of the long interval of time which in a large society necessarily intervenes

between the beginning of production and consumption are similarly unappreciated. Although Marx often insisted that capitalism was a necessary stage in the evolution of industry, and talked of the way in which it had released the forces of production, he sometimes gives the impression that all the elaborate specialization and organization of industry which has come about under capitalism is a mistake and that the state of collective control into which capitalism is to pass will not only be morally, but practically and structurally simple. Society when it becomes collectivist will shed, he implies, not only its inequalities but its complexities.

Rousseau and Marx have a further common defect, natural to writers who are emphasizing the unity of society against individualist theories which deny it; they treat that unity as though it only had a single centre. Rousseau writes as though the general will in a society were something simple which could only be expressed by one authority, as though in any society individuals were set over against *the* community, community being itself one and indivisible, a seamless robe. The practical result of this is that smaller associations within the state are treated not as subordinate forms in which the general will of society finds expression, but as rivals to it. The state is to be the one and sole form in which men's solidarity and corporate loyalty are to find expression. The law of Le Chapelier of 1791, which on the pretext of protecting individual liberty and national unity forbade all professional associations, showed how men interpreted the gospel of Jean Jacques as involving a declaration of war by the state against all lesser corporate loyalties, as advocating the unitary against the Federal state. In this matter, as in others, Rousseau's disciples were much more one-sided and uncompromising than their master. He recognized at times that complication of

social will of which Federalism is the expression. But the original simple affirmation of the general will was all that the disciples understood: the qualifications were forgotten.

Similarly, when Marx talks of 'the community' which is consciously to control production and own its instruments, he seems to imply that there is only one community, and that social control and nationalization are the same. The early Socialists made the same mistake as the early democrats; they both conceived it possible to set in motion something called the community which should be incapable of acting to the disadvantage of its members. The early followers of Marx opposed rival forms of social control such as co-operative societies or Trade Unions, as the early democrats had opposed all forms of voluntary associations. There is indeed much in Marx's teaching that points the other way. We have seen how he insisted on the distinction between the social nature of exchange and the social nature of production. No doubt so long as Marx is thinking in terms of exchange alone, thinking that is of a society of individual producers, there is only one community wanted. For inequality among producers can only be prevented by a single common ownership of the means of production. But when Marx comes to discuss the social nature of production, the problem is not concerned with how to avoid monopoly, but with the problem of making the collective labourer a real community instead of a despotism. 'The community' for the purposes of production is not the same as the community for the purposes of exchange. The first is the economic unit, described by Marx as the collective labourer, the second necessarily contains many economic units, and therefore, in a complex form of social production, many collective labourers. The existence of both problems—how to ensure equality or in considering the relations of economic units to prevent

monopoly, and how to democratize the government of the complex economic unit, the business in which many individuals take part—implies that any solution of these problems must be federal—must recognize that social control will express itself in various ways and through various organs.

Both the socialism which looks on nationalization or national ownership as the true method of social control, and guild socialism which starts with the problem of the democratic government of the collective labourer, claim to represent the teaching of Marx. Taken together they do represent his teaching, but neither does so by itself. He saw that the problem of the social control of industry is more complex than either of these theories taken alone allows. Yet although federalism is as implicit in Marx as it is in Rousseau, the first effect of Marx's insistence on social control and purpose in economic relations was the same as the effect of Rousseau's insistence on social purpose in politics—to produce a type of collectivist thinking which assumed one single centralized organ for all social control.

Finally, as the simplicity of Rousseau's social ideal made his followers and sometimes Rousseau himself think not only that it would be simple when realized, but that bringing it into being was also a simple matter, to be achieved by the adoption of some simple democratic machinery; so the simplicity of Marx's economic ideal gave the impression that its realization was also a simple matter, that 'a community of free individuals, carrying on their work in common and consciously applying the labour power of the different individuals as one single social labour power', could be brought into being by some fiat of the popular will in spite of the fact that the whole tendency of his evolutionary teaching was in the opposite direction. Marx sometimes writes as though what were lacking for the establish-

ment of socialism were not knowledge and skill but only will and power: as though capitalism were preparing the way for socialism not by gradually evolving more and more social forms of production, but by so increasing the misery and the sense of injustice in the mass of the population that at last they will rise in their might and 'expropriate the expropriators'. It is a defect that Marx's labour theory of value shares with other theories inspired with conceptions of natural right, that it suggests that the ideal is the natural in the sense of what would ordinarily and commonly exist were it not for the gratuitous interference of wicked men. If the villains can be scotched, the expropriators expropriated, a true commonwealth will come into being automatically. Construction will come of itself, once men have enough energy and will to destroy the evil that is hindering its individual fulfilment. Marx has been as much as Rousseau the inspiration of that impatient idealism which only knows how to destroy.

History has shown that the application of the ideals of democracy to a large and complex society is a difficult matter; that the proper methods and machinery of democracy vary with circumstances, and can only be slowly evolved by experiment—that in this process of experiment the belief that the task is simple or that there is any ready-made method is a hindrance and not a help to success. In the working out of practical machinery, success has been the reward of the English temper, with its distrust of far-reaching schemes, its concern with the immediate practical problem, its instinctive dislike of speculating as to where it is going, its readiness to deal with the concrete, and its entire disregard of the abstract grievance. But when the practical Englishman congratulates himself on his supreme capacity for politics, and contrasts his practical efficiency with the abstract impossibilities of continental ideologues, he is

making a mistake. Esmein is right when in his great text-book on constitutional law he attributes the achievement of modern liberty to the French philosophers of the eighteenth century as well as to English constitutional practice. The man who will not look beyond his immediate grievance will probably find an effective solution for it, but he will also, the solution found, probably then go to sleep contentedly till some spur from without comes to disturb his complacency. The glorious revolution of 1688 was only made possible by the fanaticism of the Puritans which failed. Once that revolution had gained its immediate object, the Englishman settled down to a complacent worship of his own achievement. The next great step in practical democracy was made in 1789, when the constitution of the United States was created by men who had been trained in the English common law and were fired by the ideas of Rousseau. Democracy has developed wherever the abstract appeal of the ideologue and the concrete experimentation of the practical man have worked together.

The application of democratic principles to industry is a more complicated business than their application to politics, and belief in simple or ready-made contrivances is even more fatal in them than it has been in politics. The great practical achievements of the nineteenth century in the social control of industry have been brought about by the same concrete temper as that which produced the English contribution to democracy. But when we look with pride at the industrial democracy which the English working class worked out in the nineteenth century—the Trade Union and the co-operative movements and the whole fabric of social and industrial legislation—and despise Marx for his unreality and his abstractions as our practical forefathers despised Rousseau, we are forgetting how constantly these practical successes have been

due to the impulsion given by the appeal to the fundamental facts and ideals of human relationship of which the abstractions by Rousseau and Marx are the expression, and how much they depend for further achievement on the inspiration of that appeal.

It may well be said of Marx's theory as it has been expounded here that it is at its best an appeal to abstract justice and a criticism of existing institutions in the light of such justice. Could a system of absolute justice, of just political rights or of a just economic reward, be worked out in abstraction, it would no doubt be of service as a standard. However hard it might be to realize, we should at least get nearer to justice by aiming at the correct standard. But it has sometimes been urged, and with much reason, that no such system of absolute justice can be worked out even in theory. The labour theory of value will not really tell us what wealth each separate individual has separately made, and therefore may justly receive. There is no system or principle according to which economic rewards for services can be calculated which will give absolutely just results.

This criticism is pertinent so far as it goes—but its truth is not so disconcerting to the value of Marx's theory as might at first be supposed. It is an old story that the essence of the demand for justice is a demand for equality, and that the equality which justice demands is not by any means easy to define; it does not consist in men getting equal amounts of anything. It is always equality of men as members of society, and any distributions of rewards or portions or rights which is to be just must be relevant to and determined by the end of society. To try to discover a system of economic reward which should be just in itself is to assume that the only purpose and end of society is economic.

But it is also an old discovery that equal justice can be given to all members of a society only if the end that society pursues is such that it can be shared. There are certain purposes which society may make its own which are in their nature competitive. The demand that such ends should be equally shared by all is necessarily unrealizable—but the fact that it is so is a criticism not of the demand for equality but of the end which will not support the demand. The demand for abstract justice is seldom as abstract as it appears. It accepts the valuations of existing society, and demands that the things at the production and preservation of which society seems most to aim, should be available to all members of society. If the demand fails, the failure is the condemnation of the ends. The demand for abstract justice is the touchstone of the purposes of any given society.

This is at any rate the way in which Marx used the labour theory of value. He began by taking for granted the aim of an economic society as the individualists had described it, and showed how their society, which pretended to be founded on the notion of human equality, was necessarily producing inequality; that the labour theory of value which they had formulated in defence of capitalism was really its condemnation.

But when Marx came to his positive teaching, the labour theory of value as the principle of the determination by just reward was given up and its place was taken by the standard of an ideal society. The moral of Marx's teaching about the collective labourer is that we should give up trying to find out exactly how much is the total product each individual labourer has made, and devote our energies rather to making the collective labourer a real democratic society. If we seek that, all other things will be added.

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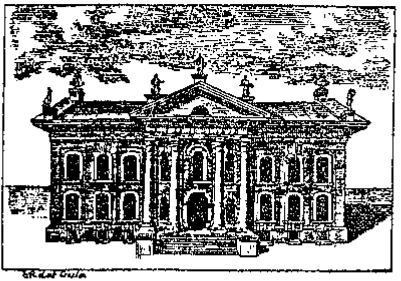
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